

WORLD EMPLOYMENT PROGRAMME RESEARCH

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Rural Employment Policy Research Programme

THE IMPACT OF AGRARIAN REFORM ON RURAL EGYPT
(1952-75)

by

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FOREWORD

The present study is part of the on-going research of the Rural-Urban Employment Policies Branch of the Employment and Development Department on the alternative forms of organisation for rural development. The research activities of EMP/RU during last year were concentrated on the determination of the effects of rural development policies within the existing organisation framework in South and South-East Asia. Such a framework is characterised by an unequal distribution of land ownership and an absence of major land reforms. The attempts made to develop agriculture within such a framework led in most cases to increased inequality.

As a logical follow-up we plan to investigate alternative organisational forms within which agricultural development could be pursued without leading to a polarisation of income and wealth and increasing poverty. To achieve this objective, we shall study a large variety of experiences ranging from systems of communal land use to egalitarian agrarian reform in the context of private enterprise and the intermediate experiences of co-operatives. We propose to analyse a number of case studies in each of these categories to evaluate their role as vehicles for rural development in the contemporary Third World. In particular, each experience will be assessed in terms of its contribution to: (a) reducing poverty; (b) generating surplus; and (c) increasing production and employment. We believe that this set of studies will be of value for planners and policy makers in Third World countries.

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Samir Radwan.

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I. INTRODUCTION

CHAPTER ONE

THE AGRARIAN QUESTION BEFORE LAND REFORM: A HISTORICAL BACKGROUND

One of the first actions taken by the new régime after the 1952 Revolution, and perhaps the most popular, was the enactment of the Agrarian Reform Law. Coming only six weeks after the coup d'état, the main objective of the reform was political: to diminish the power of large landowners, who formed the power base of the ancien régime and represented the main source of opposition to the Revolution.

Political motivations, however dominant, should not rob agrarian reform of its social and economic significance.¹ By the beginning of the 1950s, the "agrarian question" in Egypt, emanating essentially from extreme inequality and growing poverty, had reached a crisis level. Such poverty and inequality had their historical roots in the system of private land ownership, established in Egypt in the second half of the 19th century and the concomitant emergence of a powerful class of large landowners.² The most striking feature which characterised the evolution of this system was the heavy concentration of land ownership on one hand, and the continued fragmentation of small landholdings on the other. Table 1.1 shows the evolution in the pattern of land ownership during the half century preceding the Reform Law of 1952. What emerges very clearly from this table is that an initial situation of extreme inequality in the distribution of land had actually worsened with the passage of time. Thus we find that at the turn of the century small farmers (owning less than five feddans) who represented 80 per cent of the total number of landowners, possessed only 20 per cent of the land, while large proprietors (owning over 50 feddans) representing only 1.5 per cent of landowners, held 44 per cent of the land.³ The process of differentiation continued. A striking feature of this process was the way in which medium landowners were able to consolidate their position. Between 1910 and 1952, the average size of medium properties as well as their share in the total cultivated area remained virtually constant. By contrast, the number of small owners more than trebled in 50 years, and although their share of the total cultivated area increased from 22 per cent to 35 per cent between 1900 and 1952, the average size of their properties fell from 1.46 to 0.80 feddans, i.e. by 45 per cent. Furthermore, a finer breakdown shows that most of the increase in small properties took place in the bracket "less than one feddan". Between 1910 and 1952 the number of owners in this bracket increased from 783,000 to 2,018,000 (compared to

¹ For an elaboration of this point see R.E. Mabro, The Egyptian Economy, 1952-72, London, 1974, pp. 56-57.

² The intricate history of land ownership in Egypt has been the subject of several excellent studies. See in particular: Ibrahim Amer, Land and Peasant; the Agrarian Question in Egypt, Cairo, 1958; Gabriel Baer, A History of Land-ownership in Modern Egypt, 1800-1950, London, 1962; Raul Abbas Hamid, The Social System of Egypt under Large Landowners, 1837-1914, Cairo, 1973; and Asem A. El-Dessouky, Large Landowners and their Role in the Egyptian Society, 1914-52, Cairo, 1975.

³ 1 feddan = 1.038 acres.

TABLE 1.1

Changes in the pattern of land ownership, 1896-1952

Year	Small ownerships (less than 5 feddans)					Medium ownerships (5 and less than 50 feddans)					Large ownerships (50 feddans and over)					All ownerships	
	Owners (000s)	% of total land- owners	Area (000 fed- dans)	%	Average size of owner- ship (fed- dans)	Owners (000s)	% of total land- owners	Area (000 fed- dans)	%	Average size of owner- ship (fed- dans)	Owners (000s)	% of total land- owners	Area (000 fed- dans)	%	Average size of owner- ship (fed- dans)	Owners (000s)	Area (000 fed- dans)
1896	611	80	994	20	1.54	144	19	1 815	36	12.6	12	1.5	2 192	44	183	767	5 001
1900	761	84	1 113	22	1.46	141	15	1 757	34	12.5	12	1	2 244	44	187	914	5 114
1906	1 084	88	1 293	24	1.19	134	11	1 662	30	12.3	13	1	2 476	46	190	1 231	5 431
1916	1 480	91	1 450	27	0.98	133	8	1 645	30	12.4	12	1	2 356	43	196	1 625	5 451
1926	2 242	93	1 837	31	0.82	146	6	1 747	30	12.0	12	1	2 254	39	188	2 400	5 838
1943	2 376	93.5	1 944	33	0.82	147	6	1 774	30	12.1	12	0.5	2 142	37	179	2 535	5 860
1952*	2 642	94.3	2 122	35	0.80	148	5.3	1 817	30	12.3	12	0.4	2 042	35	170	2 802	5 981

* Before the promulgation of the Land Reform Law.

Sources: Annuaire Statistique, various issues; and Statistical Indicators, 1952-63, Cairo, 1964, p. 43.

an increase from 464,000 to 624,000 in the "one to less than five feddans" bracket) and the average size of property declined from 0.47 to 0.38 feddans.⁴ This development was largely due to a rapid increase in rural population combined with the Muslim laws of inheritance which required the breaking up of properties among heirs upon the death of the owner. Despite the operation of these laws, both the number of large- and medium-sized properties and their area showed little change over time. This is partly explained by the fact that newly reclaimed land and land sold by the State from public domains from time to time was generally acquired, in the first instance, by the bigger landlords, a practice which largely offset the adverse effect of the breaking up of their properties on the total area owned by them.⁵ Thus, through the parallel processes of fragmentation of small properties and consolidation of medium and large properties, the distribution of land ownership, extremely uneven from the beginning, became even more unequal. The Gini coefficient for the distribution of land ownership increased from 0.696 in 1896 to 0.758 in 1950. Consequently, we find that on the eve of the First Agrarian Reform of 1952, large landlords, owning over 50 feddans, numbered less than half of 1 per cent of the total number of proprietors but held 35 per cent of the land, while, at the other end of the spectrum, small farmers, owning less than one feddan, represented 72 per cent of total landowners but held only 13 per cent of the land. It is not surprising, therefore, that Egypt was then described as the "half per cent society". The 2 million families who owned less than one feddan each constituted the poorest section of the landowning class; some, having leased their land to other peasants, lived in towns or joined the army of casual labourers in the villages; others rented land to supplement their holdings whenever possible.⁶

Outside the spectrum of landowners we find the landless peasants; the poorest of the rural poor. Table 1.2 sums up the results of our attempt to quantify the problem of landlessness prior to the agrarian reform. Though our figures should be regarded as no more than "guesstimates" their implications are quite clear. With no access to land either through ownership or rent, the number of landless families as well as their proportion to total rural population have been growing considerably. By 1950 there were some 1.6 million families, representing over 60 per cent of rural population, who owned no land at all and who had to rely exclusively on their labour for earning a living.

The lopsided development of private land ownership sketched above gave birth to an agrarian system that can best be described as capitalist in structure and feudal in its social relations.⁷ The introduction of cash crops and the consequent integration of Egypt as a cotton producer into the world economic system; the

⁴ Mabro, op. cit., p. 61.

⁵ E. Eshag and M.A. Kamal, "Agrarian Reform in the UAR (Egypt)", Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 30, No. 2, May 1968, p. 75.

⁶ Eshag and Kamal, op. cit., pp. 77-78.

⁷ This statement is a gross simplification of the outcome of the rich debate on the nature of Egypt's agrarian system which took place in the 1950s. For a good summary see Anouar Abdel-Malek, Egypt: Military Society, New York, 1968, pp. 50-57.

TABLE 1.2

Landless families in rural Egypt before the agrarian reform
(000s)

Agriculture census years	Population	No. of rural families	No. of landholding families	No. of landless families	% of landless to rural families
	(1)	(2)	(3)	(4)	(5)
1929	10 579	1 968	1 207	761	39
1939	11 664	2 170	993	1 177	54
1950	13 700	2 548	997	1 551	61

Notes and sources:

- Col. (1) Figures obtained by interpolating between population census years.
- Col. (2) These figures were calculated by applying a uniform average size of rural family of five persons (observed in successive population censuses) after allowance was made for those rural families engaged in non-agricultural activities. The latter were estimated at 7 per cent of total rural population; a ratio suggested by population census data.
- Col. (3) This is the total number of landholdings as reported by the three agricultural censuses after the exclusion of holdings of 100 feddans and over, all of which are assumed to belong to absentee landlords.
- Col. (4) Figures obtained as a residual; the difference between total rural families and landholding families. Although we use essentially the same method and basic data as M.A. Fadil, he reaches a much lower estimate of the landless. This is due to his erroneous calculation of the ratio of non-agricultural to total rural population which he estimated at 19 per cent "in the light of the population decennial census data". See M.A. Fadil, Development, Income Distribution and Social Change in Rural Egypt, 1952-70. Cambridge, 1975, pp. 5 and 18. Census data show that this ratio was only 7 per cent. According to the 1960 population census, total rural population over six years of age amounted to 13,072,236, while those engaged in agricultural activities and those inactive were 12,136,716 which leaves 935,605 or 7.2 per cent exactly of rural population who were engaged in non-agricultural activities (table IV, pp. 13-16). What Fadil seems to have done was to take the difference between total rural population which amounted to 16,120,398 (table II, p. 11) and rural population over six years of age engaged in all activities which was 13,072,236 (table IV, p. 16). He assumed that this difference (of 3,048,162 or 18.9 per cent of total rural population) represented the number of population engaged in non-agricultural activities. On these grounds we had to reject Fadil's estimates as the assumption on this ratio is crucial to the estimate of landless.

development of a complex transport network linking the farms to the market place; the creation of a sophisticated trade and financial structure, have all contributed to the transformation of Egyptian agriculture from a subsistence into a highly commercialised and profit-maximising activity. The dual structure of land ownership - large estates and small peasant holdings - was also reflected in the mode of land exploitation. Egyptian agriculture was dominated by a large sector of small family farms totally dependent on family labour and using primitive tools and implements. By contrast, medium and large estates depended mainly on hired labour, permanent or casual, and employed modern machinery. The organisational structure of factor markets (land, labour and capital) and the land tenure relationship functioned under a laissez-faire system.⁸ Wages, in a labour-surplus economy, were always pushed to subsistence levels. The credit market was controlled by foreign banks that were mainly concerned with financing the cotton trade. Their lending policies favoured large landowners and small farmers had to rely on private moneylenders who charged exorbitant rates of interest. The extremely unfavourable man/land ratio created an active land market. Vehement speculation resulted in a tremendous inflation of land prices without any actual increase in productive investment. Economists were thus justified when they spoke of land as the "bottomless sink of savings". Moreover, where ownership of land was concentrated in few hands, leasing was the only way in which the land "hunger" could be satisfied. Absentee landlords leased their land either directly or through intermediaries under a wide range of tenancy contracts: cash rent, rent in kind and sharecropping. It was estimated that by 1950 some 60 per cent of Egypt's cultivated land was tenanted (as against 17 per cent in 1939).⁹ Acute competition and exploitation by intermediaries sent rents rocketing. Average rents increased five times between 1938 and 1950.¹⁰ In many cases it was more advantageous for the landlord to lease out his lands than to farm them.

This defective land tenure system resulted not only in a terribly unequal distribution of income, as we will see later, but also enforced a pattern of social relations that could be described as feudal. The village scene was dominated by the large landlord usually referred to as the Pasha. His manor house, which overshadowed the mud houses of the fellahin, was run by a small army of permanent workers and their families. Invariably, he, as the Umda (or village mayor), was the representative of the State. In short, he represented the political and social power in the village, and he certainly used this power to ensure his

⁸ M. Riad El-Ghony, "Economic and Institutional Organisation of Egyptian Agriculture since 1952" in P.J. Vatikiotis, Egypt since the Revolution, London, 1968, p. 68.

⁹ Gabriel Saab, The Egyptian Agrarian Reform, 1952-62, London, 1967, p. 11.

¹⁰ Fawzi Abdel-Hameed, The Agrarian Question in Developing Countries and the Agrarian Reform in Egypt, Cairo, 1973, p. 111.

mastery. Tales of social subjection, illegal abuses, repression and human degradation of the fellahin were a pale description of the grim reality of Egyptian rural life. It is not surprising, therefore, that by the early 1950s, the so-called passivity of the Egyptian peasantry was wearing thin and signs of unrest were appearing in various parts of the countryside.¹¹

It is against this background of mounting agrarian crisis that a number of writers, social reformers and politicians called for the reform of the agrarian system.¹² Various elaborate schemes were proposed but all went unheeded by a Government dominated by large landowners. The new régime brought about by the 1952 Revolution recognised the urgent need to tackle the agrarian question. One of their first actions was the promulgation of the Land Reform Law of September 1952 which represented a frontal attack on the power of the entrenched class of big landowners and an attempt at a radical reform of an ailing agrarian system.

AGRARIAN REFORM POLICIES: A BRIEF SURVEY

One of the most interesting features of the Egyptian reform, and perhaps the reason for its relative success compared to countries like Iraq and Iran, is that it was not limited to a change in the tenure system as such but represented a package of policy measures the purpose of which was to attack the various problems of rural Egypt within the wider context of national development.

The First Agrarian Reform Law was enacted in September 1952 and was followed by two others in 1961 and 1969. In addition to these three major laws, the Government has since 1952 enacted other laws and has issued numerous decrees either supplementing or modifying the provisions of the original reforms.

In this section we do not intend to describe these laws in any detail as they were fully covered in several other studies,¹³ but we proposed to indicate the various policies included in the agrarian reform package and the institutions thereby created. These policies can be grouped in the following categories:

1. Policies to change the pattern of land ownership: the successive land reform laws of 1952, 1961 and 1969 fixing a maximum ceiling on ownership.
2. Policies related to the organisation of land use: regulation of owner-tenant relationship, collectivisation of smallholdings into large plots, crop rotation.

¹¹ The early 1950s witnessed violent peasant uprisings on large estates: Saab (op. cit., p. 13) reported that peasants in Bashmur, Daqhaliya, occupied the Averoff estate twice in the space of three years; that agitation continued after the sale of the holding by its foreign owners, and only brutal intervention by security forces reduced the squatters to submission. Baer (op. cit., p. 221) also mentioned three rebellions in 1951 on the Buhut estate of the Badrawi Ashur family and the Kufur Nigm estate of the Crown Prince as unprecedented events in modern Egyptian history.

¹² The subject of land reform became most controversial during the 1940s. Various projects were discussed in the press or submitted to Parliament, notably the bill of Mr. M. Khattab to limit the size of land ownership by 50 feddans, the call by Mureit Ghali (in his book The Agrarian Reform) to raise the ceiling to 100 feddans, and the argument by Sadek Saad (in his book The Problem of the Fellah) that the State should expropriate land above 50 feddans and run it as collectives. For interesting details see Abdel-Aziz Ramadan, "The Revolution and Agrarian Reform", Al-Kateb, August 1971.

¹³ Cf. Gabriel Saab, The Egyptian Agrarian Reform, op. cit.: Sayed Marei, Agrarian Reform in Egypt, Cairo, 1957; Doreen Warriner, Land Reform and Development in the Middle East, London, 1957; and Eshag and Kamal, "Agrarian Reform in the UAR", op. cit.

3. Policies creating the integrated co-operative system: the organisation and functions of the supervised co-operatives first established on land reform areas and later extended to cover almost all the countryside, the role of the co-operative in providing various inputs, credit, machinery and marketing the crops, the role of the Mushrif (supervisor).

4. Policies aimed to improve the condition of agricultural labourers: minimum wage and the right to form a trade union.

5. Other policies to improve the living conditions in the rural areas: introduction of drinking water and electricity, education and health facilities.

A quarter of a century has nearly passed since the First Agrarian Reform Law has been promulgated and we are now in a better position to attempt a systematic appraisal of the various effects of this reform on rural Egypt; a task to which we now turn.

II. THE EFFECT OF AGRARIAN REFORM ON LAND
AND INCOME DISTRIBUTION

INTRODUCTION

As was pointed out earlier, the "agrarian question" before 1952 centred around an extremely unequal distribution of land ownership and a defective land tenure system. It is not therefore surprising that the immediate objective of the agrarian reform was to rectify such a system. By imposing a ceiling on land ownership, the reform aimed primarily at weakening the traditional economic and political power of the thin class of large landowners. In the longer run, the reform of the tenure system, together with various other steps, were designed to "narrow the wide gap among classes, raise the standard of living of the fellah and divert capital to investment in industry".¹

We shall try here to assess the distributive effects of the Egyptian reform. We intend to look at three aspects of the distributive process: the effect of the land distribution programme on the matrix of land ownership; the effects of these changes as well as other reforms on the distribution of income and the social differentiation of the peasantry; and, finally, an attempt will be made to gauge the magnitude of the problem of rural poverty and monitor the broad trends in the standards of living of the rural poor and the effect of various agrarian reform policies on such trends.

¹ Mohamed Naguib's statement proposing the Agrarian Reform Law. Al-Misry, 11 August 1952.

CHAPTER TWO

CHANGES IN THE PATTERN OF LAND OWNERSHIP

Successive agrarian reform laws sought to correct the maldistribution of land by gradually lowering the maximum limit of ownership. Thus the first land reform of September 1952 fixed a ceiling of 200 feddans on personal ownership plus 100 feddans extra for the proprietor's dependent children. Initially, owners were permitted to sell land to their previous tenants within a period of five years in small plots not exceeding 5 feddans each. Owing to large-scale disposition of land in this way, this concession was soon withdrawn (October 1953).² The law was also amended (in 1958) to fix a maximum holding by reference to families rather than individuals when it was realised that landowners were holding land in excess of the legal maximum of 200 feddans by registering it in the names of their minor children and wives. The maximum holding by each family was then fixed at 300 feddans. The law also abolished family mortmains (waqf ahli) in which the beneficiaries had control only over the product of the land. Families were forced to divide such land among their members and if, as a result, the total holding exceeded the maximum ceiling, the excess was subject to requisition. Land requisitioned under the 1952 land reform law from private landlords amounted to 434,000 feddans (or just over 7 per cent of the total cultivated area).

Subsequent laws extended the scope of land reform. More land, amounting to about 440,000 feddans, was requisitioned for distribution in later years through a variety of actions: the Royal Family estates were confiscated in 1953; a new law in 1957 extended the reform to charity domains (waqf khairi); in 1962 all mortmain held by charities became subject to requisition; more land was later acquired by the sequestration decrees of 1962 and 1964 which confiscated the properties of certain landlords for political reasons; and by a law of 1963 which expropriated foreign proprietors. The most important single measure taken in this period was the Second Agrarian Reform Law of July 1961. With the new drive towards "socialism", this reform reduced the maximum holding by any one person to 100 feddans and imposed a limit of 50 feddans on each leasehold. Finally, a Third Agrarian Reform Law (enacted in August 1969) lowered the ceiling for individual holdings to 50 feddans and family holdings to 100 feddans.

Land in excess of the permitted ceiling was expropriated and old owners - except for the members of the Royal Family and those declared as "enemies of the people" - were entitled to compensation.³ Compensation was set at a price equivalent to ten times the rental value of the land, with rental value taken to be seven times the basic land tax as assessed in 1949 (which ranged from £2-4 per feddan). Compensation was paid in the form of non-negotiable bonds bearing interest of 3 per cent per annum and redeemable in 30 years:

² It was estimated that some 145,000 feddans had been sold by that time. See Eshag and Kamal, "Agrarian Reform in the UAR", Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 30, No. 2, May 1968, p. 78.

³ Bent Hansen in his article on "Arab Socialism in Egypt", World Development, Vol. 3, No. 4, April 1975, claims that "No compensation has been given to old owners" (p. 204). Hansen is certainly alone in this claim.

The requisitioned land was to be distributed within a period of five years in small lots of two to five feddans depending on quality and the beneficiaries' needs.⁴ The order of priority in choosing the beneficiaries was: first, tenants and permanent farm labourers formerly cultivating the expropriated land; second, farmers with the largest families; and third, the poorest members of the village community. The beneficiaries were to pay the agrarian reform authority in equal instalments, over 30 years the compensation plus 15 per cent in charges as well as the annual interest of 3 per cent.⁵ They were not allowed to sell or sublet the land and, to safeguard against fragmentation, land subdivision through inheritance was not permitted. Land reform beneficiaries were required by law to join a co-operative society which, under the direction of a government supervisor, was to provide various inputs, credit, marketing facilities and the services of tractors and irrigation pumps.

Another major feature of land reform, and perhaps more significant than the redistribution of land, was the reform of tenancy regulations, since these were to affect larger sections of the population. As we saw earlier, some 60 per cent of Egypt's land was cultivated by tenants (estimated at 700,000 families).⁶

The 1952 land reform law fixed rents at seven times the land tax in case of cash tenancy and, in the case of sharecropping, the tenant's share in the crop at 50 per cent, with equal participation in costs between owner and tenant. A three-year minimum duration of tenancy agreements was also stipulated by the law to guarantee security of tenure.

Table 2.1 provides a summary of the results of the distributive programmes of various agrarian reform laws. We note that by 1970, an area of 817,538 feddans, or slightly less than 13 per cent of the total cultivated land of Egypt during that year, had been distributed to 341,982 families comprising some 1.7 million persons, or about 9 per cent of the rural population. The moderate character of the reform becomes immediately apparent: it touched only a fraction of the land and has certainly not satisfied the land hunger of landless peasants. In fact, land reform could have had a stronger impact had it not been for the piecemeal introduction of legislations and the illegal practices of old landowners. For instance, the area subject to sequestration under the First Agrarian Reform of 1952 was estimated to be 656,736 feddans belonging to 1,789 large landlords. But, as we see from table 2.1, only 450,305 feddans were actually sequestered and, if we deduct from these 178,000 feddans which belonged to the Royal Family, we find that the area actually taken

⁴ The general guideline for fixing the size of land allotted to a peasant was that the income derived from it should be adequate to support the family of the beneficiary. Sayed Marei, the man in charge of the implementation of the reform, argued that "since the income of 5 feddans under normal conditions is nearly E£120 a year and the cost of living of a family of eight individuals is E£128 per annum, a family of eight should be the maximum limit for the distribution of 5 feddans". Cf. Sayed Marei, "The Agrarian Reforms in Egypt", International Labour Review, Vol. LXIX, No. 2, February 1954, pp. 145-146.

⁵ These conditions were later relaxed. In 1958 interest on debts was reduced to 1.5 per cent, supplementary charges to 10 per cent and the repayment period extended to 40 years. The 1961 law fixed the beneficiaries' liability at half the compensation price; in 1964 this was reduced to one quarter, the debt became free of interest, and the supplementary charges were removed.

⁶ M.R. El-Ghonemy, "Economic and Institutional Organisation of Egyptian Agriculture Since 1952", in P.J. Valikiotis, Egypt Since the Revolution, London, 1968, p. 74.

TABLE 2.1

Agrarian reform lands distributed to
small farmers, 1953-70*

Requisition		Distribution		
Origin of requisitioned land	Area (feddans)	Year	Area (feddans)	No. of beneficiaries (families)
1. First Agrarian Reform Law, 1952 (including Royal Family Estates)	450 305	1953	16 426	4 784
		1954	65 285	24 295
		1955	66 687	31 588
		1956	35 558	15 678
2. Religious Mortmains, 1957	110 451	1957	42 067	19 701
		1958	42 920	17 045
3. Second Agrarian Reform Law, 1961	214 132	1959	5 982	2 447
		1960	23 426	10 345
		1961	28 381	9 291
4. Charitable Trust, 1962	38 336	1962	106 150	31 605
5. Sequestered land	69 323	1963	90 172	107 286
		1964	121 645	
6. Aliens' farm properties, 1963	61 910	1965	26 013	12 013
		1966	25 668	
		1967	58 107	
7. Others (taken over from other organisations)	25 979	1968	20 531	8 295
		1969	22 743	9 056
		1970	19 777	7 255
TOTAL	944 457	TOTAL	817 538	341 982

* These figures refer to land sequestered and distributed by the agrarian reform authorities only and, therefore, exclude some 215,000 feddans of reclaimed land distributed during the same period.

Sources: Statistical Yearbook of the ARE, 1952-73, October 1974, p. 53; Statistical Atlas, July 1962, table 21; Landholdings and Cultivated Areas in the ARE, 1969, November 1972, pp. 88 and 91; and Ministry of Agrarian Reform, Agrarian Reform and Land Reclamation, 1952-63, Cairo, 1963, p. 29.

from large landowners (272,305 feddans) was much less than half of what it should have been.⁷ Large landowners took advantage of the provision in the law which entitled them to sell land above the fixed ceiling in plots not exceeding five feddans. As mentioned earlier, some 145,000 feddans were disposed of in that way during one year. Moreover, some landowners were able to forge backdated sales contracts to members of their families and to their relatives and in that way avoid, wholly or partly, the application of the law.⁸ All this, of course, should not rob the Egyptian agrarian reform of its historical significance as the first serious challenge to the authority of large landowners since the introduction of private land ownership in the second half of the nineteenth century.

⁷ Fathy Abdel-Fattah, "Land and Peasant in Egypt, 1952-72, The Matrix of Land Ownership", Al-Taliaa, October 1972, pp. 23-24.

⁸ ibid., p. 24.

Limited as the scope of land reform may have been, it has no doubt changed the pattern of land ownership. Table 2.2 traces the changes in the land ownership matrix over the period 1952-65 (the last year for which data exist). Before we discuss these changes, two words of caution are in order. First, these changes should not all be attributed to the reform measures; some were brought about by the normal subdivision of property on inheritance and some by the ordinary sale and purchase transactions in land. The impact of the land redistribution programme has been primarily on the smallest and biggest landlords. Secondly, the data leave a lot to be desired. Almost all writers on the subject have reproduced official data uncritically despite the obvious mistake we point out in the note to the table. Moreover, the absence of a finer breakdown of the "small ownership" class makes it difficult to study the internal change within this important group which represents 95 per cent of total landowners. Finally, there are no published data after 1965. This makes it extremely difficult to assess the impact of the Third Agrarian Reform of 1969. Fortunately, this defect will not affect our conclusions in any serious way as this law, assuming that it has been carried out, involved only 35,000 feddans (or 0.5 per cent of the total cultivated area).⁹

A comparison of the structure of ownership in 1952 with that in 1965 reveals interesting features. First, the number of large ownerships remained almost constant both in absolute and relative terms, but their share of land dropped significantly. Thus in 1952, 11,000 families, representing 0.4 per cent of landowners, owned more than 2 million feddans, or 34.2 per cent of the land; while in 1965 their number dropped slightly to 10,000 but their ownership was reduced to 813,000 feddans, or 12.6 per cent of total land. This change came as a direct result of the very large estates (over 200 feddans), which covered 19.7 per cent of the area in 1952, entirely disappearing by 1961. It is, however, interesting to note here that the absolute area previously occupied by the lower strata of large ownerships (50-100 feddans) did not significantly change despite the reduction of the ceiling to 100 feddans. Secondly, at the other end of the spectrum, we see that small ownerships have maintained their dominant position in terms of numbers (95 per cent of the proprietors) and have actually gained in terms of the area owned by them (which increased from 35.4 per cent in 1952 to 57.1 per cent in 1965), as well as in terms of the average size of holding (which increased from 0.8 to 1.2 feddans during the same period). A number of factors are responsible for this change. Most important was the redistribution of agrarian reform land which exclusively benefited this group. It also appears that the effect of inheritance (which tends to lower the average size of holding in this bracket) must have been more than offset by sales from big as well as very small owners to members of this group.¹⁰

The most striking feature of table 2.2, however, is the way in which the class of medium owners (5-50 feddans) was able to maintain and consolidate its position over the years; while their number remained constant between 1952 and 1965, the total area owned by them actually increased slightly. Changes within this group

⁹ Fawzi Abdel-Hamid, *The Agrarian Question*, op. cit., p. 115.

¹⁰ R. Mabro, *The Egyptian Economy*, Oxford, 1974, p. 72.

TABLE 2.2

Changes in the structure of land ownership in Egypt, 1952-65

Size of ownership (feddans)	Distribution before 1952 law					Distribution after 1952 law					Distribution after 1961 law					Situation in 1965				
	Owners		Area		Average holding per owner	Owners		Area		Average holding per owner	Owners		Area		Average holding per owner	Owners		Area		Average holding per owner
	(000s)	%	(feddans)	%		(000s)	%	(feddans)	%		(000s)	%	(feddans)	%		(000s)	%	(feddans)	%	
Small ownerships:																				
< 5	2 642	94.3	2 122	35.4	0.8	2 841	94.4	2 781	46.6	1.0	2 919	94.6	3 172	52.1	1.1	3 033	95.0	3 693	57.1	1.2
Medium ownerships:																				
5- <10	79	2.8	526	8.8	6.6	79	2.6	526	8.8	6.6	80	2.6	526	8.6	6.6	78	2.5	614	9.5	7.9
10- <20	47	1.7	630	10.7	13.6	47	1.6	638	10.7	13.6	48*	1.6	638	10.7	13.3	40*	1.3	527	8.2	13.3
20- <50	22	0.8	654	10.9	29.7	30	1.0	818	13.6	27.3	26	0.8	818	13.4	31.5	29	0.9	815	12.6	28.1
Large ownerships:																				
50- <100	6	0.2	430	7.2	71.7	6	0.2	430	7.2	71.7	6	0.2	430	7.0	71.7	6	0.2	392	6.1	65.3
100- <200	3	0.1	437	7.3	145.7	3	0.1	437	7.2	145.7	5	0.2	500	8.2	100.0	4	0.1	421	6.5	105.3
≥ 200	2	0.1	1 177	19.7	588.5	2	0.1	354	5.9	177.0	-	-	-	-	-	-	-	-	-	-
TOTAL	2 801	100.0	5 984	100.0		3 008	100.0	5 984	100.0		3 084	100.0	6 084	100.0		3 190	100.0	6 462	100.0	

* Adjusted figures. Official data as well as studies using them have been consistently reporting the number of owners in this bracket as 65,000 and 61,000 in 1961 and 1965 respectively. This is clearly wrong as the average size of ownership will work out at 9.8 and 8.6 feddans in the two respective years, which is less than the lower bound of the size class of 10-20 feddans. To correct for this error we assumed that the number of owners in 1961 was 48,000 which is consistent with data published by the Ministry of Agriculture for previous years, which were 48,500 for 1956 and 42,300 for 1953; cf. Ministry of Agriculture, Agricultural Economy, Cairo, January 1962, table 2, p. 3. For 1965, we estimated the number of owners by assuming that the size of average holding prevailing in 1961 remained constant.

Source: Statistical Yearbook of ABE, 1952-73, Cairo, October 1974, pp. 54-57.

also are significant. We notice that despite a remarkable stability in the relative numbers of both the lower and upper strata, their shares of land ownership have increased, while the number and share of the middle strata have slightly decreased. This is not surprising. It is a reflection of the parallel processes of fragmentation and concentration. Many large estates are continually subdivided mainly through inheritance and their new owners will necessarily join the ranks of lower ownership brackets. One is led to think that this would be the main source of growth in the lower bound of the medium ownership group. The gain of the upper bound of this group must have resulted from purchases of land by this relatively wealthy class from large landowners, when the latter were allowed to sell land in excess of the agrarian reform ceiling, or by squeezing out smaller proprietors.¹¹

It is unfortunate that we have no data on the distribution of land ownership for the years after 1965. We have, therefore, been unable to assess accurately the impact of various changes that took place after that date, particularly the 1969 land reform which reduced the ownership ceiling to 50 feddans. We are, however, confident that the 1969 reform had but little effect on the pattern of land distribution. In 1965, owners of 50 feddans and more amounted to 10,000 and held 813,000 feddans. Assuming that all land above 50 feddans was expropriated, then the reform will have involved the redistribution of some 313,000 feddans. But we know that the reform allowed another 50 feddans for the family and gave landowners the opportunity to dispose of the excess area up to 100 feddans per family. One should not expect therefore that this law has actually involved a major redistribution. In fact, one author has estimated the area requisitioned under the 1969 law to be 35,000 feddans only.¹² This sounds very plausible, especially in view of the notable drop in land distribution after 1969.¹³

We shall now examine the extent to which the above-mentioned changes in land distribution have altered the extreme inequality which characterised the pre-reform ownership structure. There is no doubt that the disappearance of the very large estates following the First Agrarian Reform of 1952 must have reduced the flagrant degree of inequality. Thus, a study by the Central Bank has shown that the Gini coefficient, which reflects the degree of concentration in land ownership, fell from 0.611 before the 1952 reform to 0.492 afterwards. Following the enactment of the second land reform in 1961, the Gini coefficient was reduced to 0.432 and further declined to 0.383 in 1965, indicating a moderate movement towards less inequality.¹⁴ A similar conclusion is indicated by the significant movement of the Lorenz curve towards the line of perfect equality (figure 2.1). These results should be treated with caution; the Gini coefficients may exaggerate the improvement in land distribution. First, a serious defect in the data is due to the aggregation of the "less

¹¹ Fathy Abdel-Fattah, The Contemporary Village: Between Reform and Revolution, 1952-70, Cairo, 1975, p. 26.

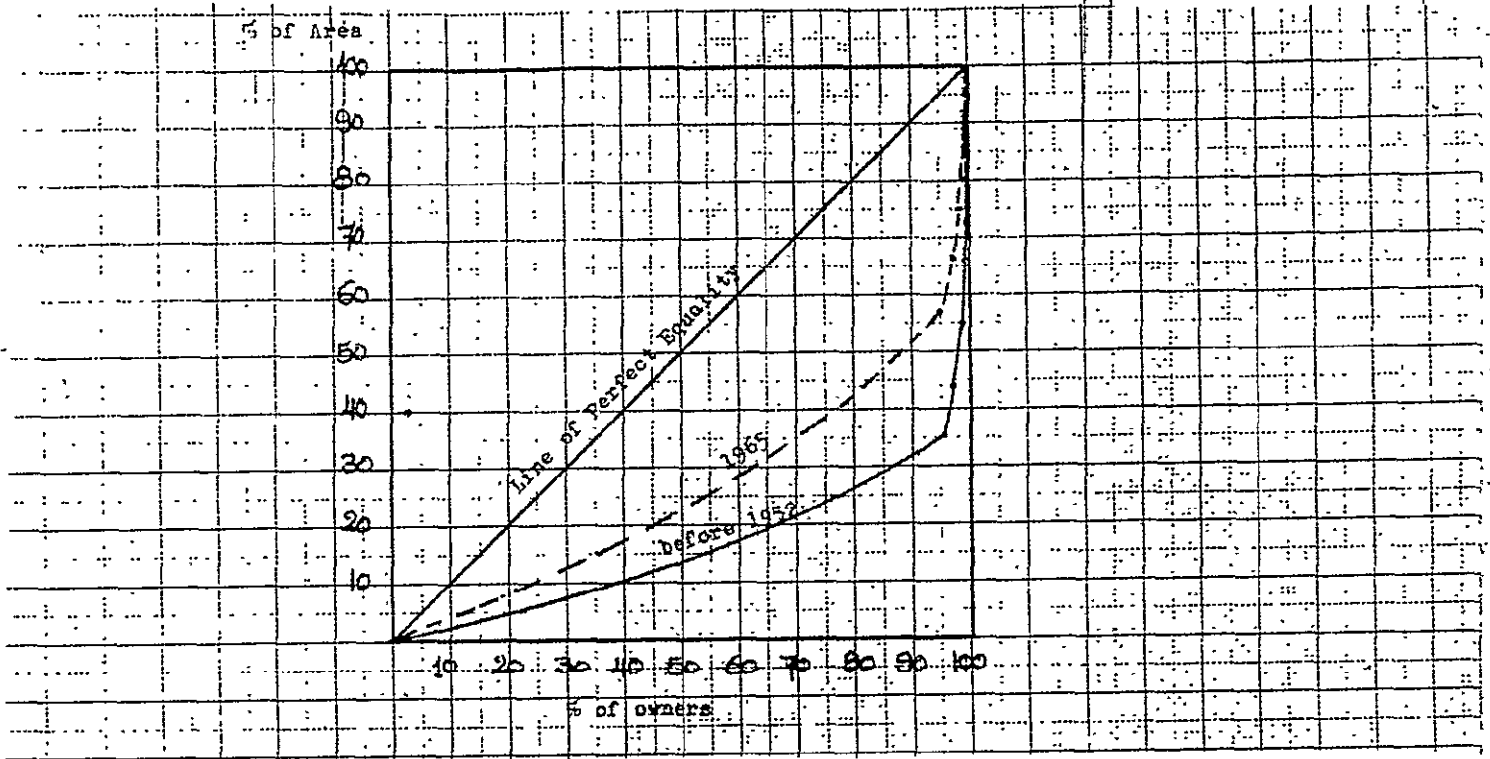
¹² Fawzi Abdel-Hamid, op. cit., p. 115.

¹³ Distribution of agrarian reform lands dropped from about 20,000 feddans in 1970 to 5,385 in 1971, 5,135 in 1972 and 2,438 in 1973. Cf. Statistical Yearbook of the ARE, 1952-73, Cairo, 1974, p. 53.

¹⁴ Central Bank of Egypt, "Changes in the Pattern of Land Ownership in UAR (1952-65)", Economic Review, Vol. VIII, Nos. 3 and 4, 1968.

FIGURE 2.1

Lorenz comparison for land distribution, 1952, 1965



than five feddans" ownerships, which include some 95 per cent of all owners in one bracket. Evidence suggests that the distribution of ownership within this very large bracket might have become more unequal.¹⁵ Secondly, statistics may understate the degree of concentration of land ownership as they relate to properties and not to proprietors and thus disregard the existence of multiple ownership.¹⁶ These data limitations are not, however, so serious as to affect the validity of the main trends in the distribution of land ownership outlined above.

The main conclusion to be drawn from the above discussion of the changes in the pattern of land ownership in Egypt is that the effect of land reform has been limited to the two extremes of land ownership: the large and the small. The distribution of some 13 per cent of the cultivated area to about 9 per cent of the rural population has no doubt diminished the importance of large ownerships and, in fact, has virtually eliminated the very large ones; at the same time, redistribution slightly

¹⁵ After the 1952 reform, the "less than five feddans" owners amounted to 2,642,000, of whom 2,018,000 or 76 per cent owned less than one feddan. A survey of ten villages in 1968 suggested that this ratio has risen to 89 per cent. Cf. Fathy Abdel-Fattah, *The Contemporary Village*, op. cit., p. 26.

¹⁶ M.A. Fadil, *Development, Income Distribution and Social Change in Rural Egypt (1952-70)*, Cambridge, 1975, pp. 12-13.

improved the lot of small farmers while it has certainly consolidated the position of the medium stratum which represents the economic and political power now in rural Egypt. This latter feature of the structure of land ownership, as we have noted earlier, goes back to the 1920s, and remained unaffected by land reform. Not only did this class of medium-sized landowners, many of whom live in the villages and represent the rural upper-income group, retain their share of the cultivated area but, as we shall see later, they have also gained in social and political influence especially after the political demise of the class of large landowners.

It is our contention therefore that two decades of agrarian reform have not fundamentally changed the land distribution pyramid; the narrow top may have been eliminated and the base somewhat broadened, but the middle certainly has remained intact if not strengthened.

It is more important perhaps to stress the fact that land reform has not in any way affected the landless peasants since land distribution was limited to previous tenants and small farmers. Table 2.3 shows the results of our attempt to estimate the number of landless peasants over the period 1950-72. It should be stressed here that these figures should in no way be regarded as accurate measures, but rather as rough indicators of orders of magnitude. Two important features emerge clearly from our data. First, the pool of landless peasants in rural Egypt has always been large by any standard. After a quarter century of agrarian reform, half of the country's rural population had no access to land either through ownership or rent. Secondly, the effect of agrarian reform on the problem of landlessness was temporary. We note that there was a significant fall in the absolute number of landless families between 1952 and 1961. This must have been partly due to the redistribution of land but mainly through increased migration by peasants to join the ranks of labourers in public works and other urban activities. But the 1960s and 1970s were to witness the reversal of this trend as the number of landless families continued to increase both in absolute terms and as a proportion of the rural population. This reversal can be attributed to the growing population pressure on a limited area of land and the apparent freeze on agrarian reform. It is our contention here, therefore, that contrary to the naive view popular during the early stages of agrarian reform, the distribution of some 13 per cent of Egypt's land to some 9 per cent of the rural population represents a once-and-for-all gain for landless peasants, but will certainly not solve or even mitigate the problem of landlessness. The marginalisation of small peasants and continued concentration of land in the hands of medium and large landowners, together with a rate of population growth among the highest in the world, have already and will continue to cancel out the effect of any marginal land redistribution programme.

We have tried to assess the impact of land redistribution on the structure of ownership not only among landowners but among the rural population as a whole. Landless peasants were included in the distribution of landholdings as zero landholders. The results are presented in table 2.4 for the two census years 1950 and 1961. It is immediately clear that the inclusion of the landless in the distribution of landholdings has fundamentally changed the picture: land distribution among rural population as a whole is much more unequal than among landowners only.

TABLE 2.3

An estimate of landless families in
rural Egypt, 1950-72

(000s)

	1950	1961	1965	1970	1972
(1) Rural population	13 700	16 120	17 604	19 280	19 928
(2) Number of people engaged in non-agricultural activities	958	1 128	1 232	1 350	1 395
(3) Agricultural population	12 741	14 992	16 372	17 930	18 533
(4) Number of families engaged in agriculture	2 548	2 999	3 274	3 586	3 707
(5) Number of landed families	1 003	1 642	1 785	1 853	1 857
(6) Number of landless families	1 545	1 357	1 489	1 733	1 850
(7) Landless families as percentage of agricultural families	60.6	45.3	45.5	48.3	50.0

Notes and sources:

- Row (1): Figures for 1950, 1961 and 1965 are obtained by interpolating between population census years; 1970 and 1972 are estimates of the Central Agency for Public Mobilisation and Statistics and published in the 1974 World Bank Report on Egypt, table 1.3.
- Row (2): These figures were estimated at 7 per cent of total rural population; a ratio suggested by population census data. See notes to table 1.2 above.
- Row (4): Calculated by applying a uniform average size of rural family of five persons which is the size observed in successive population censuses.
- Row (5): Figures for 1950 and 1961 represent the total number of landholdings as reported by the agricultural census in those years. For subsequent years data were obtained by adding to the number of landed families reported in 1965 the families receiving new land from agrarian reform authorities.
- Row (6): Figures obtained as a residual. Here again, compare our results with Padil, op. cit., p. 44. Our estimate of the landless is higher for the reasons explained in note (4) to table 1.2 above.

TABLE 2.4

Distribution of landholdings by size, 1950 and 1961¹

Size of holdings (feddans)	1950				1961			
	Number of holders ² (000 families)	%	Area (000 feddans)	%	Number of holders ² (000 families)	%	Area (000 feddans)	%
0 (landless)	1 545.0	60.6	000.0	0.0	1 357.0	45.2	000.0	0.0
0- 1	214.3	8.4	111.8	1.8	434.2	14.5	211.2	3.4
1- 2	248.3	9.7	335.7	5.5	385.9	12.9	505.3	8.1
2- 3	161.7	6.3	373.9	6.1	286.8	9.6	647.9	10.4
3- 4	99.1	4.0	328.7	5.4	174.6	5.8	566.4	9.1
4- 5	63.3	2.5	272.7	4.4	99.7	3.3	423.6	6.8
5-10	122.4	4.8	818.4	13.3	170.0	5.7	1 100.7	17.7
10-20	52.5	2.1	705.3	11.5	56.7	1.9	742.6	12.0
20-50	26.5	1.0	792.1	12.9	23.8	0.8	689.3	11.0
50-100	8.4	0.3	579.1	1.4	6.4	0.2	429.9	7.0
100	6.5	0.3	1 826.3	29.7	4.0	0.1	905.9	14.5
TOTAL	2 548.0	100.0	6 144.0	100.0	2 999.1	100.0	6 222.8	100.0

Notes and sources:

¹ We have used the distribution of landholdings rather than that of land ownership as the former is consistent with our definition of the landless as those who have no access to land either through ownership or rent.

² Number of zero landholders is the number of landless families estimated in table 2.3. Number of other landholders and the areas they hold are those reported by the two agricultural censuses of 1950 and 1961. See Agricultural Census, 1950, Vol. I, table III, and Fourth Agricultural Census, 1961, Part I, section 1.

Table 2.5 shows that the Gini coefficient of inequality was 0.889 in 1950 and 0.800 in 1961. Despite some improvement between the two years (mainly reflecting the effect of land redistribution and rent reform), the fact remains that by the 1960s, and after the important phase of agrarian reform, land was flagrantly unequally distributed in Egypt. Table 2.5 shows that in 1961, while the bottom 40 per cent of the rural population had no land and half the population controlled only 1 per cent, the top 10 per cent controlled about 65 per cent of the land. We believe that the situation must have worsened during the late 1960s and 1970s in view of the facts that landlessness has increased, the supply of arable land remained more or less constant, and the land distribution programmes during that period involved only marginal proportion of available land.

TABLE 2.5

Decile distribution of landholdings
in Egypt, 1950 and 1961

Deciles	Percentage share in landholding	
	1950	1961
1	0.0	0.0
2	0.0	0.0
3	0.0	0.0
4	0.0	0.0
5	0.0	1.0
6	0.0	2.54
7	2.31	6.21
8	16.05	9.62
9	12.03	15.67
10	79.61	64.96
Gini coefficient (average)	0.889	0.800

CHAPTER THREE

INCOME DISTRIBUTION AND CLASS DIFFERENTIATION

This is the most neglected and most difficult aspect of agrarian reform. Data on income distribution are extremely scanty and inconsistent. We propose to use whatever data are available to map out a picture of the effect land redistribution and government policies have had on income distribution in rural Egypt. We shall first attempt to assess the direct effect of agrarian reform on the incomes of the beneficiaries and then try to piece together whatever fragmentary information is available to draw a tentative picture of the way in which agrarian reform has changed the income distribution matrix in rural Egypt.

Evidence suggests that the income received by the 342,000 families who benefited from the land distribution programme must have improved. Doreen Warriner estimated that by 1960, the increase in the money incomes of land distribution beneficiaries was "50 per cent above the pre-reform level".¹ Drawing on an extensive field study, Saab came to the same conclusion; net money income per feddan was 40-50 per cent higher in 1958-59 than in 1951-52 in most of the areas visited.² This was mainly due to the fact that beneficiaries of the land distribution programme paid a lower price (in the form of instalments or rentals) for the holdings they occupied than they had paid in rent in the past and the fact that crop yields remained relatively stable and had sometimes improved.³ Eshag and Kamal have also attempted a broad estimate of changes in net income per feddan of the land reform beneficiaries.⁴ Table 3.1 provides a summary of their results. It can be seen that net money income per feddan in 1964-65 was more than twice as high as it had been in 1952-53. It is also apparent that the trend of growing incomes was almost uninterrupted throughout this period. The two important factors responsible for the rise in net incomes of the beneficiaries of land distribution were the more rapid increase in gross receipts from farm produce in relation to cultivation costs and the fall in overhead expenses. Of the increase of about 50 per cent in gross receipts per feddan between 1952-53 and 1964-65 shown in the table, some 30 per cent was accounted for by the rise in land yields and about 20 per cent by a recovery in the prices of agricultural crops, in particular of cotton, from their post-Korean War low of 1952-53. Outlays in respect of overheads declined during the period because of a fall in the annual instalments paid for the purchase of land, following the successive governmental decrees mentioned earlier reducing the sale price of land to the beneficiaries, extending the redemption period and lowering interest charges; tax payments and contributions to co-operative expenses are believed to have been held generally constant by the authorities.⁵ The increase in the beneficiaries' incomes

¹ Doreen Warriner, Land Reform and Community Development in the UAR, unpublished report to the United Nations, May 1961, p. 25.

² Gabriel Saab, The Egyptian Agrarian Reform, op. cit., p. 120-121.

³ *ibid.*, p. 120.

⁴ E. Eshag and M.A. Kamal, "Agrarian Reform in the UAR", Bulletin of the Oxford University Institute of Economics and Statistics, vol. 30, No. 2, May 1968, pp. 95-98.

⁵ *ibid.*, p. 96.

TABLE 3.1

Income per feddan of the beneficiaries of land
distribution during crop years, 1952-53 to 1964-65

(in E£)

	1952-53	1954-55	1956-57	1958-59	1960-61	1962-63	1964-65
Gross receipts	55	58	66	66	75	76	84
Less: cost of cultivation	- 10	- 7	- 9	- 10	- 10	- 11	- 13
Operating profit	45	51	58	57	64	65	71
Less: overheads -							
Taxes and co-operative expenses ¹	- 6	- 6	- 6	- 6	- 6	- 6	- 6
Purchase price of land	- 12	- 12	- 12	- 12	- 8	- 4	- 1
Net income	27	33	39	39	50	55	64

¹ Land tax is estimated at E£3, supplementary tax at E£0.3, and contribution towards co-operative expenses at E£3 per feddan; total is rounded to E£6 per feddan.

Note: Owing to rounding up the components may not sum to the totals.

Source: Eshag and Kamal, Agrarian Reform in the UAR, op. cit., p. 97.

measured in real terms must have been much less than the above figures suggest. If allowance is made for the rise in the cost of living in rural areas, which amounted to some 65 per cent during this period, the real increase in the beneficiaries' net income per feddan will be reduced to about 44 per cent.⁶ It is our judgement, however, that this gain must have been totally wiped out during subsequent years. Whatever gains they may have made due to the increase in the prices of their agricultural products (the price index of agricultural products increased by some 60 per cent between 1964 and 1974) must have been more than offset by the sharp rise in the cost of living for rural areas (which amounted to 80 per cent during the same period).⁷ Moreover, costs of production, especially contribution to co-operative expenses, have lately become so exorbitant that they outweigh the peasant's revenue, leaving most agrarian reform beneficiaries in permanent debt.⁸ Fragmentary evidence lends

⁶ For details on the rural cost-of-living index, see the section on real wages below.

⁷ The price index of agricultural products is a weighted average of the price indices of principal marketed crops. For details see the section on terms of trade below.

⁸ Literature in current press abounds with descriptive material on this point. For a vivid description of the condition of agrarian reform peasants in the seventies, see "The Worries and Troubles of an Agrarian Reform Peasant", Al-Taliaa, July 1976.

support to our last observation. Drawing on a field investigation carried out in 1958, Anouar Abdel Malek reported that a land reform peasant paid almost E£50 per year for each feddan (E£14.45 for annual instalment, 12.06 for irrigation facilities, 10 for farm supplies and 10 to pay for earlier loans and other charges) which leaves him with some E£7-8 per feddan or E£20-22 for a plot of 2.8 feddans, the average size for distributed land.⁹ Another field study of two sample land reform estates, Demira and Nabaroh in the Dakahliya Province, has concluded that:

"... against all expectations, the net income per recipient in the two sample estates was not only below that of a tenant farmer in the same estates during 1950-52, but also below the national average income per tenant during 1956-63".¹⁰

To sum up, fragmentary data presented above indicate that incomes of previous tenants and small farmers who became beneficiaries of land distribution must have improved during the initial years of land reform but, in later years, these gains were largely offset through the effect of rapid inflation and increase in cultivation and co-operative expenses.

The redistributive effect of agrarian reform has also extended to tenant cultivators whether operating under cash rent or sharecropping arrangements. As noted earlier, the 1952 reform fixed the annual rent per feddan for tenants subject to cash rents at seven times the basic land tax. This works out at an average of E£21 rent per feddan, which is some E£10-15 less than the average rent prevailing in pre-reform years. It was estimated that "the net money income received by tenant farmers in 1964-65 would, on the assumption that rents paid were maintained at the statutory level, be almost twice as high as it had been in 1951-52, the year preceding the 1952 reform law".¹¹ Given the extent of the area under tenancy (about 3 million feddans) and the number of tenants (some 700,000 families), such an income gain is highly significant. Similarly, tenants operating under sharecropping agreements benefited from the new measures. Although the system of sharecropping before the 1952 reform varied from region to region and from one crop to another, a typical procedure for cotton cultivation was for the landlords to claim about five-sixths of the crop when they supplied cultivation inputs, met half the expenses of harvesting and paid the land tax. Agrarian reform legislation has stipulated that landlords and tenants should share equally in the costs of cultivation and in the produce of the land. This must have raised the share of the tenant by one-third of the total produce (from one-sixth to one-half) in exchange for meeting half the costs of cultivation which amounted to only about one-fifth of the value of the produce.¹²

⁹ Anouar Abdel Malek, Egypt: Military Society, New York, 1968, p. 73.

¹⁰ Mohsen Abdel-Khalek, Agrarian Reform in Egypt: A Field Study of the Agrarian Reform in Two Typical Areas During the Period 1953-63, unpublished Ph.D thesis, University of London, 1971, p. iii. These results should be cautiously interpreted as the statistical base is somewhat dubious and the author does not make a distinction between fragmentation of large estates, maladministration and drop in yields as reasons responsible for the worsening position of agrarian reform peasants in the areas studied.

¹¹ Eshag and Kamal, op. cit., p. 98.

¹² *ibid.*, Sayed Marei estimated that the area affected by this measure amounted to 24 per cent of a total leased area of 3.1 million feddans, i.e., about 75,000 feddans. See Sayed Marei, "UAR Overturning the Pyramid", CERES - FAO Review, Vol. 2, No. 6, November-December 1969, p. 50.

The income effect of rent control should not, however, be exaggerated. True, it must have led to some initial redistribution in favour of tenants and at the expense of absentee landowners.¹³ It is also true that the three-years' minimum duration of rent contracts provided tenants with a sense of security of tenure they had not enjoyed for decades. One of the most striking revelations of the "Committee for the Liquidation of Feudalism" (established in 1966 in an attempt to check the abuse of agrarian reform measures by rich landowners), was that rent controls were seldom put into effect.¹⁴ Various methods were used to evade the law. A common practice was for the landlord to sign a lease calling for the legal statutory rent, but at the same time to compel the tenant to sign separate bills of exchange for the extra amount.¹⁵ Other methods were to overstate the size of area leased to the tenant, to rent land for one crop only and to get the tenant and his family to work on the landlord's estate for no wage whatsoever.¹⁶ Moreover, many tenants were unable to obtain written lease contracts from the landowners and were, therefore, deprived of access to co-operative services, especially easy-term credit. Many landowners made large profits by using these leases to obtain credit and various agricultural inputs at subsidised prices from the co-operative and reselling them to tenants at black-market prices.¹⁷ The government drive to "liquidate feudalist pockets" in the mid-sixties does not seem to have altered the situation. The strong pressure for land and the domination of land reform institutions by large landowners made it easy to squeeze tenants. Recently, the agrarian bourgeoisie-dominated People's Assembly (Parliament) approved of legislation which in effect ended almost all the benefits granted by the agrarian reform to tenants: rent was raised, cash-cropping freed of any constraints and the three-years' security of tenure abolished.¹⁸

Our discussion of the income effect of agrarian reform has so far centred around "landed" farmers, i.e. those with access to land either through ownership or rent. As we noted earlier, agrarian reform aimed at improving the standards of living of landless peasants whose main source of income was their labour. Thus, minimum wage legislation fixed a minimum wage rate for an eight-hour day of 18 piasters for men

¹³ See table 3.3 below.

¹⁴ For details, see the special issue of Al-Taliaa, September 1966.

¹⁵ Michael Kamel, "On Class Struggle in the Countryside", Al-Taliaa, September 1966, p. 55.

¹⁶ *ibid.*

¹⁷ Pathy Abdel-Pattah, The Contemporary Village: Between Reform and Revolution, 1952-70, Cairo, 1975, pp. 43-44. The author provides details of irregularities by large landowners which were revealed by the "Committee for the Liquidation of Feudalism" formed by the Government in 1966 to counteract the revival of large landowners' influence in the Egyptian countryside.

¹⁸ In its sitting of Monday, 23 June 1975, the Assembly approved, after a brief and heated discussion, a number of crucial legislations concerning "The Relationship between Owner and Tenant". Among these were: (a) raising cash rent from seven to ten times the land tax; (b) authorising owners to change their lease agreements from cash rent to sharecropping and dropping any constraints on sharecropping agreements; (c) authorising owners to dismiss tenants in case they switch from growing traditional crops to vegetables and fruits. For a discussion of the significance of these changes, see M. Abu Mandour El-Dib, "The Relationship between Owner and Tenant in Egyptian Agriculture", Al-Taliaa, June 1975.

and 10 piasters for women and children (compared with 10-15 piasters for adult men and 6-7 piasters for women and children per day before agrarian reform). Here again, evidence suggests that, under conditions of growing population pressure, many landlords have succeeded in evading the minimum wage stipulations.¹⁹ Thus we find that the average daily money wage in 1960 was almost the same as in 1951, the year preceding agrarian reform. In fact, it was not until the mid-sixties that the minimum statutory wage level was reached and was actually exceeded in subsequent years. To assess the impact of wage legislation on the standards of living of the rural labour force, it is the changes in real rather than money wages that we should be examining. Table 3.2 and figure 3.1 show the results of our attempt to monitor the movements in real wages over the 36-year period of 1938-74. We constructed a real wage index by deflating the money wage index by a special cost-of-living index, namely, a composite index of price indices of the basket of consumer goods used by the rural poor (details are presented in Appendix I). Looking at the period as a

TABLE 3.2

Movement in real wages in rural Egypt, 1938-74

(1938 = 100)

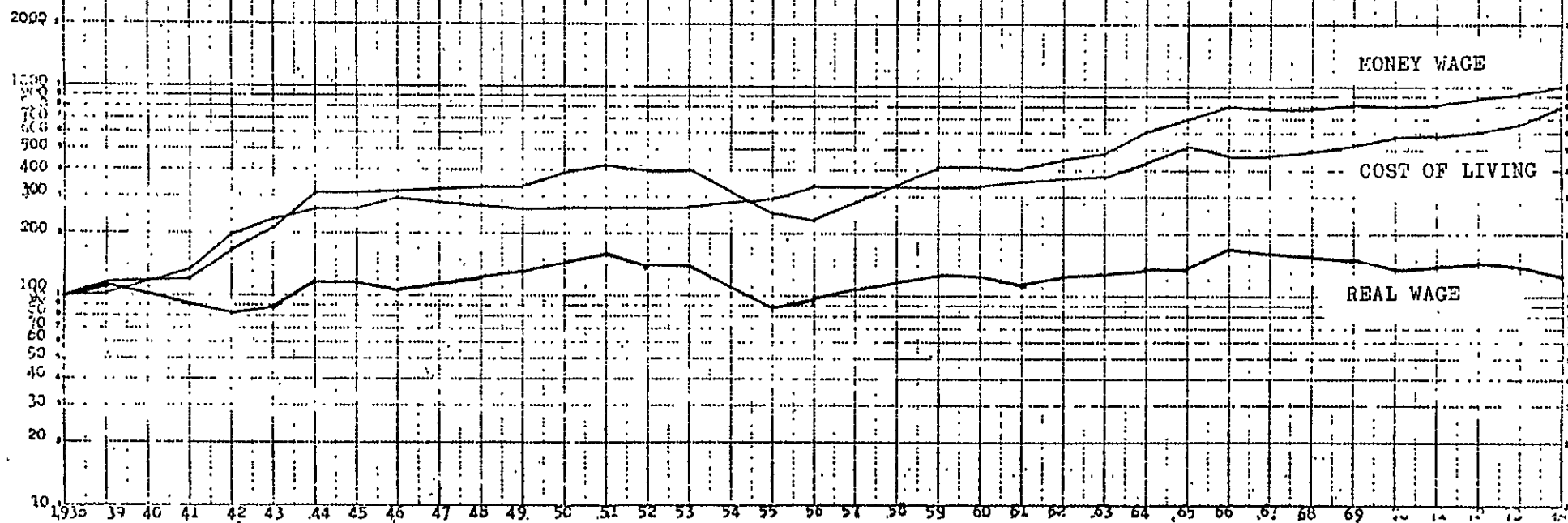
Year	Average daily				Year	Average daily			
	Money wage		Cost-of-living index	Real wage index		Money wage		Cost-of-living index	Real wage index
	PT	Index				PT	Index		
1938	3.0	100	100	100	1959	12.5	417	334	124
1939	3.5	117	101	116	1960	12.5	417	337	123
1941	3.6	120	132	90	1961	12.3	410	358	113
1942	5.0	167	198	83	1962	14.0	450	367	122
1943	6.3	210	238	87	1963	15.0	480	377	127
1944	9.3	310	262	117	1964	19.0	609	438	138
1945	9.3	310	262	117	1965	22.0	704	519	135
1946	9.5	317	297	107	1966	25.0	801	468	170
1948	10.0	333	271	123	1967	24.5	784	479	162
1949	10.0	333	259	130	1968	24.5	784	499	156
1950	11.6	387	264	147	1969	25.5	817	536	151
1951	12.6	420	263	160	1970	25.0	801	576	138
1952	12.0	400	265	151	1971	25.5	817	580	140
1953	12.0	400	269	150	1972	27.5	880	613	143
1955	7.6	253	294	87	1973	29.2	930	661	140
1956	10.0	333	342	97	1974	32.2	1 001	792	125

Source: Appendix I.

¹⁹ Robert Mabro, The Egyptian Economy, 1952-72, Oxford, 1974, p. 67.

FIGURE 3.1

Money wage, real wage and cost-of-living
indices for agricultural labourers in Egypt, 1938-74
(1938 = 100)



whole, we find that a tenfold increase in the average rural money wage was largely offset by the continuous rise in the cost-of-living index, as a result of which the real wage index shows almost no trend over the period 1938-74. The fluctuations are however interesting: the wartime decline in real wages is reversed in the post-war period and reaches a climax in 1951, the boom year of the Korean war; this is followed by a fairly sharp decline during the early 1950s, the years of uncertainty following the 1952 Revolution and period during which it was difficult to enforce minimum wage legislation. There was then an upward trend between 1955 and 1966, the years of "socialist transformation", the second agrarian reform and the government drive against the "remaining pockets of feudalism". Afterwards there was a decline - due mainly to rapid inflation - with the real wage index in 1974 declining to the 1948 level. It is therefore our conclusion that, with the exception of a brief period in the late 1960s, the standard of living of agricultural labourers (essentially landless peasants and very small farmers) has more or less remained unchanged over the last 25 years and, in fact, the decline which began in the late 1960s has continued uninterrupted until the present day.

So far we have tried to study the redistributive effect of agrarian reform in terms of the specific groups which benefited from various reform measures: land distribution beneficiaries, tenant cultivators and wage labourers. Let us now attempt to present a more systematic picture of the over-all changes in the matrix of income distribution during the period under review.

One way of doing this is to look at the changes in income shares accruing to various factors of production. Table 3.3 provides a summary of the available data on the distribution of agricultural income by factor shares over the period 1951-52 to 1974-75. We can distinguish between two sub-periods. During the first period, extending from 1951-52 to 1966-67, the share of property income fell sharply (from 83 per cent to 67 per cent) and the share of wages almost doubled. During the second period, covering the years 1966-67/1974-75, there was a slow but continuous reversal of these trends: the share of wages declined from the 1966-67 peak of 33 per cent of agricultural income to reach 22 per cent only in 1974-75, with a corresponding gain for property income. These developments seem to be consistent with our previous observations regarding the behaviour of land rents and rural wages over time. However, these figures on distributive shares should be treated with great caution. In fact, we have reasons to believe that they tend to exaggerate the share of labour and understate that of property income. Data on wages as reported in official statistics represent an estimate of the annual wage fund paid for the whole labour force employed in agriculture (including unpaid family labour and landholders working on their own account) rather than wages paid to the wage labourers only.²⁰ On the other hand, the share of property returns is based on estimates of income using official land rents and prices of agricultural products. There is no guarantee that these were the rents and prices actually received by landowners. As we saw earlier, rent controls introduced by the agrarian reform often were not enforced and, as we shall see later, the existence of an active black market in agricultural products indicates that official prices were usually surpassed.

²⁰ See M.A. Fadil, Development, Income Distribution and Social Change in Rural Egypt (1952-70), Cambridge, 1975, p. 63.

TABLE 3.3

Development of distributive shares in
Egyptian agriculture, 1951-52/1974

(at current prices)

Financial years (ending 30 June)	Agri- cultural income ¹ (££ million)	Wages (££ million)	Share in total income (%)	Total property returns ³ (££ million)	Share in total income (%)	Cash rents (££ million)	Share in total income (%)
1951-52	352	60	17	292	83	58	16
1959-60	405	98	24	307	76	n/a	-
1960-61	403	99	25	304	75	47	12
1961-62	373 ²	117	31	256	69	48	13
1962-63	425	126	30	299	70	48	11
1963-64	475	139	29	336	71	47	10
1964-65	528	167	32	361	68	46	9
1965-66	608	197	32	411	68	46	8
1966-67	612	205	33	407	67	47	8
1967-68	644	201	31	443	69	48	7.5
1968-69	688	211	31	477	69	49	7
1969-70	772	218	28	554	72	n/a	-
1970-71	774	225	29	549	71	n/a	-
1971-72	855	227	27	628	73	n/a	-
1972 ⁴	933	237	25	696	75	n/a	-
1973	1 062	252	24	810	76	n/a	-
1974	1 245	274	22	971	78	n/a	-

¹ Net value added at current prices.

² The fall in agricultural income in this year was due to the failure of the cotton crop.

³ Inclusive of rent payments.

⁴ Financial year changed from June to January.

Sources: 1951-52/1969-70: M.A. Fadil, Development, Income Distribution and Social Change in Rural Egypt (1952-70), Cambridge, 1975, p. 64; 1970-71/1974: Our own estimate based on data from Ministry of Planning.

Another way of assessing the over-all income effect of agrarian reform is to look at the change over time in the distribution of income by various rural classes. This is an extremely difficult task in view of the lack of relevant data and the difficulty of classifying rural society into meaningful strata. A number of writers have attempted to piece together whatever data were available in order to provide a picture of the change in the income distribution matrix.

Samir Amin was the first to attempt such a task.²¹ He provided a set of figures on social stratification and the pattern of income distribution in rural Egypt for 1958. According to Samir Amin, the rural society was divided between

²¹ Published in a book under the pseudonym of Hassan Riad, L'Egypte Nassérienne, Paris, 1964, Chapter I.

landless peasants who represented 73 per cent of the rural population and obtained only 15 per cent of agricultural income; poor peasants (owning less than one feddan) accounting for 6 per cent of the population and getting 2 per cent of the income; middle peasantry (one to five feddans) who made up 15 per cent of the population and received 23 per cent of the income; rich farmers (5 to 20 feddans) who represented 5 per cent of the population but received 23 per cent of the income; and, finally, rural capitalists (above 20 feddans) whose number amounted only to 1 per cent of the population, but appropriated 36 per cent of the income.²² We have very little confidence in these figures though they may broadly reflect the then prevailing situation. The rural population was estimated to be 19 million in 1959 by Amin, whereas it is known that the rural population was only 16 million. This will no doubt affect the estimates of the number of landless. Moreover, the land distribution used in this estimate relates to 1950 and not to 1958. Amin's estimate is of very little use to us as it relates to one year only and, therefore, does not allow comparisons over time. Finally, the author's stratification of landowners is far removed from Egyptian reality; for instance, one can hardly consider owners of from one to five feddans as "middle peasantry" as their income puts them nearer to poor peasants.

Donald Mead also has attempted to provide estimates of the distribution of agricultural income for two years - 1950 and 1960 - which we reproduce below.

TABLE 3.4

Distribution of agricultural income in 1950 and 1960

	1950		1960	
	££ million	Share in total %	££ million	Share in total %
Wages for landless	20.0	5.4	20.0	5.0
Rental payments	48.3	13.1	31.7	7.0
Other income by size of holding:				
Below 2 feddans	24.1	6.5	28.7	7.0
2-50 feddans	160.7	43.7	218.1	52.0
Over 50 feddans	114.9	31.2	123.5	29.0
Total gross value added	368.0	100.0	422.0	100.0

Source: Donald C. Mead, Growth and Structural Change in the Egyptian Economy, Illinois, 1967, p. 78.

²² *ibid.*, pp. 10-11.

These figures indicate that three major developments took place as a result of the First Agrarian Reform (1952). First, the income received by the poorest group, landless wage earners and very small landowners, remained virtually unchanged. Secondly, the share of large landowners declined for two reasons: once as a result of loss of land over the fixed ceiling and again as a result of reduction of rent. Thirdly, the biggest change occurred in the situation of what the author calls the "middle class" of farmers (those owning 2-50 feddans), as their income increased by some 35 per cent. Despite an increase in their numbers, their gain was so much as to raise per capita income over the period considered. Mead comes to the conclusion that "while structural change and income distribution have helped to alleviate the pressure of population growth on rural incomes, they have not solved the problem of rural poverty, and probably cannot solve it".²³ Although we are in broad agreement with Mead's conclusions, we have some reservations on his estimates. First, he labels the group of landowners of 2-50 feddans as "middle class". This classification certainly blurs basic differences between those who own less than five feddans and can only be regarded as small peasants, and those who own 20-50 feddans and who can certainly be regarded as rich peasants. Secondly, Mead's estimates go only to 1960 and do not, therefore, cover the effect of the Second Agrarian Reform (1961).

Another attempt, by Robert Mabro, provides us with a somewhat more up-to-date picture of the change in rural income distribution.²⁴ His comparison of shares of agricultural incomes accruing to various groups is summarised below:

Groups of peasantry	Percentage shares in agricultural income	
	1950	1965
Landless families	9.0	8.0
Holders of less than 5 feddans	17.5	34.0
Holders of 5-100 feddans	48.5	54.0
Holders of over 100 feddans	25.0	4.0

Mabro's findings largely support those of Mead, especially those concerning the improved position of "medium landowners", and the unchanged, if not deteriorating, share of landless peasants. Furthermore, a more realistic stratification of landowners by Mabro enables us to get a clearer picture of the change in the relative positions of the lower and higher groups of landowners: the former doubling their share of income, as they include all the new owners who benefited from land redistribution, and the latter suffering a substantial loss due to the virtual disappearance of the "over 100 feddans" bracket from the structure of ownership.

²³ Donald C. Mead, Growth and Structural Change in the Egyptian Economy, Illinois, 1967, pp. 79-80.

²⁴ Mabro, op. cit., pp. 218-221.

Finally, reference must be made to the most recent study by M.A. Fadil of income distribution and social change in rural Egypt over the period 1952-70.²⁵ To study the "process of differentiation among the peasantry", the author divides the rural population into five "agrarian classes" or "socio-economic groups": landless peasants; poor peasantry (below two feddans); small peasantry (two to five feddans); middle peasantry (5-20 feddans); and rich peasantry (over 50 feddans).²⁶ An attempt is then made to quantify these classes in terms of the number of population in each, and to allocate agricultural income (value added) among them for two benchmark years, 1950 and 1961 - the years when the latest agricultural censuses were carried out. We see no point in reporting the findings of this study as we have little or no confidence in the conceptual and statistical bases of the author's estimates.²⁷ First, the estimate of "landless peasants" suffers from a gross understatement emanating from a wrong reading of the population census results, as we explained earlier.²⁸ Secondly, the author claims that his "figures for the incomes of different groups of landholders are based on estimates of average gross value added per feddan for different size farms" for which he cites Mead, page 67, as a reference. In fact, the figures in Mead refer to "gross value of output/feddan" and not value added! Moreover, multiplying these figures by the acreage in each size class, the author, for some mysterious reason, arrives at what he calls "net value added in agriculture". Finally, his estimates of income shares of various landholding classes, which miraculously add up to agricultural value added as reported by national accounts, are completely erroneous. After allocating income to ownership classes he attributes the difference between their combined share and total agricultural income to a separate category labelled "rental payments for absentee land ownership". In doing so he seems to have forgotten that absentee owners were included in his estimate of income by ownership class. A simple addition of the number of families in various ownership brackets, which the author presents in the same table, would have shown that he has accounted for all landholders in Egypt, and that his estimates as they stand now contain a grave double counting.

In conclusion, the above survey indicates the difficulties of assessing, in an accurate way, the effect of the agrarian reform on the change in the income distribution matrix in the absence of firm data on land ownership and landholdings, as well as estimates of net incomes per unit of land for various farm sizes. Nevertheless, we believe that enough evidence exists to enable us to draw some broad conclusions about the distributive effect of agrarian reform over the last quarter century. It is our basic contention that the distribution of income is primarily a reflection of the prevailing structure of land ownership and the changes therein. From this

²⁵ Fadil, op. cit., pp. 56-62.

²⁶ *ibid.*, pp. 41-42.

²⁷ For a detailed critique of this estimate, see our review of Fadil's book in the International Journal of Middle East Studies, forthcoming.

²⁸ See footnote (4) to our table 1.2 above.

perspective, it appears that the Egyptian agrarian reform had an important impact on the process of differentiation among the peasantry: the class of very large land-owners (mostly absentee) has been weakened, if not eliminated, and has been replaced by a class of rich and medium capitalist farmers who depend on hired labour and modern machinery in the cultivation of their land, while, at the other end of the spectrum, the majority remained in the class of poor and landless peasants who depend on their labour to earn a living. Moreover, minimum wage legislation and rent controls have, to some extent, replaced the semi-feudalist relations by contractual ones. In other words, the reform has largely transformed the relations of production from semi-feudalist, semi-capitalist, into capitalist relations. The distribution of income reflects this transformation. Thus, we believe that during the last 25 years both the absolute income received by big landlords (over 50 feddans) as well as their relative share of total agricultural income must have fallen significantly. Meanwhile, the rich and middle landowners (5-50 feddans) benefited most by increasing both their share of agricultural income as well as income per capita. Poor peasants (less than five feddans) must have increased their share of agricultural income mainly as a result of the increase in their numbers, with their per capita income improving only marginally. Finally, the problem of landlessness seems to be far from being solved. After a notable decrease in the number of landless peasants and a slight improvement in their share of income during the 1950s and early sixties, the evidence suggests that these trends have been reversed in the late sixties and early seventies. This is by far the most serious problem in rural Egypt today as it is the landless peasants who are at the core of the problem of rural poverty.

The above conclusions are further supported by the analysis of the change in the distribution of consumption expenditure over the last two decades. As we shall demonstrate in Chapter Four, a comparison of the distribution of rural households according to annual consumption expenditure (based on the results of the three available family budget surveys) shows that: (a) between 1958-59 and 1964-65 there was a slight fall in the over-all degree of inequality of the distribution of total consumption (Gini coefficient dropped from 0.370 to 0.353); and (b) that these trends were reversed over the following decade (1964-65 to 1974-75) where there was a noticeable increase in the degree of inequality (Gini coefficient rising to 0.392). Moreover, the flagrant initial inequalities between income groups which characterised the 1950s went unchallenged during the 1960s, and even increased during the 1970s. The share of the bottom 40 per cent of the population in total consumption after a slight increase (from 17.64 per cent to 18.80 per cent) between 1958-59 and 1964-65 dropped to 17.07 per cent in 1974-75. By contrast, the share of the top 10 per cent of the population which slightly decreased during the first period (from 28.22 per cent to 27.52 per cent) increased to 31.01 per cent in 1974-75 (table 4.4 below).

These findings have important implications for our assessment of the distributive effects of the Egyptian agrarian reform. It seems that the reform (together with other measures) had an initial positive impact on income distribution which was too marginal to counteract the various factors working for inequality, with the result that after a while the effect of these factors outweighed the impact of the reform with a consequent increase in inequality. An important issue here is the implication of this increase in inequality for the rural poor. In the following chapter, we shall focus on this issue.

CHAPTER FOUR

TRENDS IN RURAL POVERTY

Our discussion of the impact of agrarian reform policies on rural Egypt would not be complete without an assessment of their effect on one of the most permanent features of the Egyptian village: poverty. Except for ritual reference in the literature, the problem of rural poverty has so far been thoroughly neglected. An attempt is made here to establish a definition of poverty in the context of an Egyptian village, provide a quantitative measure of the rural poor and monitor the change in the level and pattern of consumption as an indicator of the change in the standard of living.

The first step is to define a poverty line and the level of income corresponding to it given the economic, social and cultural conditions prevailing in an Egyptian village. We shall define as poor all those families who have levels of income inadequate to ensure a minimum diet and a basic consumption standard. The poverty line was constructed in two stages: first, we estimated the value of the least-cost diet which fulfils the minimum nutritional requirements for an Egyptian peasant in three benchmark years, 1958/59, 1964/65 and 1974/75 - the years when the three family budget surveys were carried out. For this purpose, we used the per capita food requirements prepared by the FAO Regional Office in Cairo in 1959.¹ The FAO has translated the 2,250 K.cal. recommended by FAO/WHO as the minimum energy requirement for an "average Egyptian" into a list containing quantities of the various types of foods that can satisfy this energy requirement and that are usually consumed by the poorer classes. To obtain the value of the least-cost diet, we multiplied the quantities of the various types of food which appear on the list with the unit price prevailing in the market during the three benchmark years considered. As can be seen in table 4.1, the value of a minimum diet per capita amounted to E£13.0 in 1958/59, E£16.6 in 1964/65 and E£34.8 in 1974/75. Assuming the average family size to be five persons (as indicated by successive population censuses), the value of the minimum diet per household will amount to E£65, E£83 and E£175 for the three years respectively.

The second stage in constructing the poverty line was to estimate the value of the non-food component which is associated with these minimum nutritional requirements. Thus, using the distribution of households by income groups provided by the family budget surveys, we identified those households whose actual expenditure on food is nearest to the value of the least-cost diet. We worked out the ratio of their expenditure on food to total expenditure (which amounted to 70 per cent in 1958/59, 66.5 per cent in 1964/65 and 65 per cent in 1974/75) and on the basis of this ratio the value of the non-food component was calculated and added to the value of the minimum diet. The total represents the level of household income necessary to ensure a minimum nutritional and basic consumption level, or the poverty line. This amounted to E£93 for 1958/59, E£125 in 1964/65 and E£270 in 1974/75.

¹ Quoted in Galal Amin, Food Supply and Economic Development, with Special Reference to Egypt, London, 1966, p. 64.

TABLE 4.1

Value of the least-cost diet in rural Egypt, 1958/59, 1964/65 and 1974/75

	Per capita requirements kg./year	1958/59		1964/65		1974/75	
		Price/kg. milliemes	Cost of diet E£	Price/kg. milliemes	Cost of diet E£	Price/kg. milliemes	Cost of diet E£
Wheat	60.5	30	1.815	35	1.540	66	3.993
Maize	86.8	26	3.648	35	4.911	59	8.278
Millet	53.5						
Meat (25% bones)	4.8	250	0.552	450	2.160	935	4.488
Lentils	13.8	107	1.477	72	0.994	242	3.340
Beans	15.6	75	1.170	61	0.952	145	2.262
Rice	4.4	32	0.141	34	0.150	70	0.308
Vegetables	14.9	28	0.417	30	0.447	80	1.192
Onions	15.5	15	0.248	17	0.264	51	0.791
Milk and cheese	18.1	40	0.724	44	0.796	171	3.095
Molasses	3.2	39	0.125	45	0.144	115	0.368
Oils	4.4	90	0.396	160	0.704	315	1.386
Sugar	8.3	97	0.805	125	1.438	277	2.299
Fruits	29.7	50	1.485	70	2.079	100	2.970
Total cost of diet per capita			13.003		16.579		34.770
Total cost of diet per family			65.0		83.0		175.0
Value of non-food requirements			28.0		42.0		95.0
Income per family corresponding to poverty line			93.0		125.0		270.0

Sources: Figures on the composition of minimum diet are estimates of the FAO Regional Office in Cairo and quoted by Galal Amin, Food Supply and Economic Development with Special Reference to Egypt, London, 1966, p. 64. Price data for 1958/59 and 1964/65 from: Farouk Shalaby and Mohamed Farag Mustafa, Levels of Nutrition in Relation to Prices, Price Planning Agency, Memo. No. 12, Cairo, June 1972; and for 1974/75 from CAPMS, Monthly Bulletin of Consumer (Retail) Prices, January 1976, Cairo, 1976, table III, pp. 30-38.

This definition of the poverty line is necessarily arbitrary and has many limitations. First, nutritional data for Egypt are extremely bad. Minimum nutritional requirements are given for an "average Egyptian". We have no clear idea how this "average" was calculated. Moreover, it is necessary in estimating a poverty line to have nutritional data in detail by age and sex and by type of activity as these may vary considerably and therefore affect our estimates. Secondly, our assumption of a uniform size of family of five members with equal nutritional requirements also ignores important differences in consumption norms between various sexes and age groups. It would be more relevant to speak in terms of consumption units rather than family members. Thirdly, in the absence of more up-to-date figures, we had to assume that the 1958/59 consumption norms remained unchanged in 1974/75. The latter, however, is not a serious limitation given the slow pace of change in consumption habits especially in the rural areas. Finally, attention should be called to the fact that our poverty line is a consumption expenditure rather than income poverty line, as the data provided by the family budget surveys and on which we base our estimate refer to consumer expenditure only. Therefore, no account is taken of the saving or dissaving behaviour of the various income groups. The poverty line datum presented here should therefore be interpreted as referring to a level of expenditure and not of income necessary to ensure a minimum standard of living.

Given these limitations, however, we believe that our estimate of the poverty line is a pretty good approximation of reality in rural Egypt. An estimate of "the cost of living" of a rural family of eight individuals in 1952 was £128.² Thus, for a family of five (the uniform size we use in our estimate) the cost would be something like £80. Given an increase in the cost of living of 200 per cent between 1952 and 1975, this family would require £240 in 1975 to keep its 1952 standard of living; this figure is not very far from our estimate of £270.

Having established the poverty line datum, we shall now attempt to measure the magnitude of the rural poverty problem and the change therein between the three benchmark years. This was done by using the cumulative distribution of rural households by consumption expenditure groups provided by the three family budget surveys (table 4.2). We first identified the income bracket corresponding to the poverty line in each year. These were income bracket ££75-100 for 1958/59, ££100-150 for 1964/65 and ££250-300 for 1974/75. But as the poverty lines for the three respective years fall within each of these income brackets, we calculated the exact position of the poverty lines by interpolation assuming a linear distribution of households within each income bracket. Once the position of the poverty line was established, we could then estimate the poor to be all those households falling below that line. Our results are summarised as follows:

2

This estimate was prepared as a guideline for the land distribution programme of agrarian reform. See Sayed Marei, "The Agrarian Reforms in Egypt", International Labour Review, Vol. LXIX, No. 2, February 1954, pp. 145-146.

TABLE 4.2

A. Distribution of rural households according to
annual consumption expenditure, 1958/59 and 1964/65

Annual expenditure brackets E£	1958/59					1964/65				
	Average expenditure per household E£	No. of households	Cumulative %	Total annual expenditure E£	Cumulative %	Average expenditure per household E£	No. of households	Cumulative %	Total annual expenditure E£	Cumulative %
< 25	20.6	42	1.38	864	0.19	19.4	12	0.27	233	0.02
25-50	39.4	279	10.57	10 994	2.64	38.6	125	3.06	4 821	0.50
50-70	63.1	460	25.72	29 044	9.12	64.2	218	7.92	13 999	1.89
75-100	88.3	442	40.27	39 028	17.82	88.4	344	15.60	30 412	4.93
100-150	123.0	748	64.90	92 007	38.33	125.6	1 007	38.08	126 479	17.52
150-200	172.7	443	79.49	76 490	55.38	175.1	850	57.05	148 849	32.34
200-250	222.0	246	87.59	54 608	67.56	223.8	613	70.74	137 159	46.00
250-300	271.8	134	92.00	36 425	75.68	272.8	410	79.89	111 849	57.14
300-400	338.7	127	96.18	43 013	85.27	342.3	466	90.29	159 520	73.02
400-600	475.9	89	99.11	42 352	94.71	481.8	293	96.83	141 181	87.08
600-800	707.6	18	99.70	12 737	97.55	678.7	84	98.71	57 007	92.75
800-1000	866.5	4	99.83	3 466	98.32	889.5	24	99.25	21 348	94.88
≥ 1000	1508.2	5	100.00	7 541	100.00	1 512.4	34	100.00	51 423	100.00
Total	147.7	3 037		448 574		224.2	4 480		1 004 280	

Sources: 1958/59: Central Statistical Committee, Family Budget Survey by Sample in Egypt, 1958/59, Cairo, April 1961.

1964/65: Central Agency for Public Mobilisation and Statistics, Family Budget Survey by Sample in the Arab Republic of Egypt, 1964/65, Cairo, January 1972.

B. Distribution of rural households according to
annual consumption expenditure, 1974/75

Annual expenditure brackets ££	Average expenditure per household ££	No. of households	Cumulative %	Total annual expenditure ££	Cumulative %
< 50	37.3	20	2.0	746	0.2
50-75	61.9	27	4.7	1 671	0.6
75-100	88.3	35	8.2	3 091	1.4
100-150	126.9	78	16.0	9 899	4.0
150-200	173.8	112	27.2	19 463	9.2
200-250	226.3	118	39.0	26 702	16.3
250-300	275.4	126	51.5	34 706	25.5
300-350	325.1	102	61.7	33 156	34.3
350-400	369.8	89	70.6	32 913	43.1
400-500	437.6	113	81.9	49 452	56.3
500-600	540.4	44	86.3	23 777	62.6
600-800	691.4	65	92.8	44 942	74.6
800-1000	878.6	30	95.8	26 359	81.6
1000-1400	1 204.3	24	98.2	28 904	89.4
1400-2000	1 601.0	13	99.5	20 813	94.9
> 2000	3 851.6	5	100.0	19 258	100.0
Total		1 001		375 852	

Source: CAPMS, Preliminary Results of the Family Budget Survey, 1974/75,
Cairo, May 1976.

TABLE 4.3

An estimate of the rural poor in Egypt, 1958/59, 1964/65 and 1974/75

	<u>1958/59</u>	<u>1964/65</u>	<u>1974/75</u>
1. Household income corresponding to poverty line E£	93	125	270
2. Total population (000s)	25 832	30 139	36 417
3. Rural population (000s)	15 968	17 754	20 830
4. No. of rural families (000s)	3 224	3 345	4 166
5. Families below poverty line:			
% of rural families	35.0	26.8	44.0
No.	1 160 640	903 150	1 833 000
6. Population below poverty line:			
% of rural population	22.5	17.0	28.0
No.	3 592 800	3 018 180	5 832 400

It should be emphasised here that these estimates should be treated as rough indicators of the orders of magnitude rather than accurate measures of the problem of rural poverty. Nevertheless, some broad conclusions can be drawn from these data. The most important perhaps is that despite a noticeable decrease in the number of the rural poor, both in absolute and relative terms, between 1958/59 and 1964/65, the problem of rural poverty remained unsolved. Thus, by the mid-1960s, more than one-quarter (27 per cent) of the rural families comprising over 3 million people were living below the poverty line. Much more serious is the dramatic increase in rural poverty over the following decade both in absolute and relative terms. Thus, by 1974/75, 44 per cent of the families in rural Egypt, comprising some 5.8 million people, were living below the poverty line.

This dramatic increase in rural poverty can partly be explained in terms of our earlier conclusions about the inability of the agrarian reform policies to alter fundamentally the unequal distribution of land and income in rural Egypt. The marginal redistribution of land and income which resulted from the major reforms of the 1950s and early 1960s, have no doubt led to some improvement. But these improvements were soon to be overcome by the dynamics of the situation which reproduced inequality. Another important factor in explaining this increase in poverty is inflation. It is obvious from our estimate of the poverty line, that the cost of the minimum diet per capita was more than doubled between 1964/65 and 1974/75. The sudden spurt of inflation which has characterised the Egyptian economy since the beginning of the 1970s and especially since 1973, has inevitably resulted in speeding up the process of marginalisation of the lower income groups who previously survived just above the poverty line mainly by virtue of a price control and subsidy system. This is an extremely interesting phenomenon which is to be found also in other countries; where rapid inflation coupled with more or less constant money incomes, leads to an increase in impoverishment.

The trends in rural poverty outlined above are consistent with the results of our analysis of income distribution based on the three family budget surveys now available. The distribution of rural households according to annual consumption expenditure, together with the Gini coefficient of inequality, are presented in table 4.4. We can distinguish between two periods over the last 20 years. The first which extends from 1958/59 to 1964/65 is characterised by a slight fall in the over-all degree of inequality, as reflected in the decline of the Gini coefficient from 0.370 to 0.353. Moreover, there was a marginal, but positive redistribution as evidenced by the small gain in the share of consumption expenditure of the bottom 40 per cent, against a slight drop in the share of the top 20 per cent.

TABLE 4.4

Distribution of rural household consumption expenditure,
1958/59, 1964/65 and 1974/75

<u>Percentage of expenditure</u> <u>accruing to</u>	<u>1958/59</u>	<u>1964/65</u>	<u>1974/75</u>
Lowest 20%	6.35	6.95	5.80
Second 20%	11.29	11.85	11.27
Third 20%	15.65	16.07	15.71
Fourth 20%	22.78	22.41	21.09
Top 20%	43.93	42.72	46.13
Top 10%	28.22	27.52	31.01
<hr/>			
Gini coefficient (average)	0.370	0.353	0.392

The second period which covers the decade 1964/65-1974/75, witnessed the reversal of these trends. The Gini coefficient rose from 0.353 to 0.392 and the share of all quintile groups in consumption expenditure decreased except for that of the top 20 per cent which increased significantly. Consequently, the flagrant inequalities which characterised the 1950s persisted, if not increased during the 1970s. At present, while the share of the bottom 40 per cent of the rural population in total consumption expenditure is 17 per cent, that of the top 20 per cent is 46 per cent, and that of the top 10 per cent alone is 31 per cent.

The question now is: who are the rural poor? and what are their means of subsistence? The first part of the question can best be answered by reference to the employment situation since the poor are basically the landless peasants and very small farmers who depend almost entirely on their labour for earning a living.³ Broadly speaking, the agricultural labour force can be divided into three major

³ It is beyond the scope of this study to provide a profile of the employment situation in rural Egypt. The reader is referred to the excellent works on the subject especially, ILO, Rural Employment Problems in the UAR, Geneva, 1969; B. Hansen, "Employment and Wages in Rural Egypt", American Economic Review, June 1969; and Amr Mohie-Eldin, Employment Problems and Policies in Egypt, a paper submitted to ILO/ECWA Seminar on Manpower and Employment Planning in the Arab Countries, Beirut, 1975.

categories: the permanent agricultural workforce, the temporary or seasonal labour and the openly unemployed. According to the fourth (and latest) Agricultural Census of 1961, out of an agricultural labour force of 5 million people, 64 per cent were family labour (landowners and members of their households), 9 per cent permanent wage labour, 24 per cent temporary labour and 3 per cent unemployed.⁴ The bulk of family labour (73 per cent in 1961) exists on small-size farms (less than 5 feddans), while permanent wage labour and temporary labour find employment on medium and large holdings. Assuming that the estimate of the agrarian reform authorities that the income of 5 feddans was just equal to "the cost of living" of a rural family is correct, one can safely classify the majority of owner cultivators operating small farms as poor. Moreover, most wage earners seem to belong to the ranks of the poor. Assuming that our modal family of 5 members will have one-and-a-half wage earners (which is implied by a participation rate of 27 per cent), and given the wage rate prevailing in 1964/65 (£0.20/day), a family's annual income (£110) will fall below our estimate of the poverty line for the same year (£125) even under the extreme assumption that wage earners are employed for 365 days a year. But we know that this is not usually the case as permanent wage labour represents only 9 per cent of the agricultural labour force, while one-quarter of that labour force depends on temporary or seasonal employment.⁵

Permanent labourers may have a low standard of living, but at least they are more or less fully employed and have a steady source of income. Temporary labourers have much less of both. In a country where underemployment is pronouncedly high (25 to 30 per cent⁶) and seasonal fluctuations are a permanent feature of the demand for labour, one would expect that incomes of temporary labour must be notoriously low. At this point it is necessary to distinguish between two categories of temporary labourers: farm temporary labourers engaged in temporary or casual employment in their villages, and migratory, or tarahil labourers who are usually recruited in large gangs to work outside the village, either on big estates or for the maintenance of canals and other public works on a temporary or seasonal basis. It is on the case of the latter group, the tarahil labourers, that we shall focus our attention now, as they actually represent the poorest of the rural poor and perhaps the most neglected section of the agricultural labour force, which no doubt should be the primary target group for any anti-poverty programme.⁷

⁴ Fourth Agricultural Census, 1961, Cairo, 1966, table 58 and Mohie-Eldin, op. cit., Appendix table XV.

⁵ It has been estimated that on average an agricultural worker is employed for 180 days a year in 1964/65. Accordingly, the annual income of our modal household will be E£54 per annum.

⁶ For details see Mohie-Eldin, op. cit., pp. 55-56.

⁷ Literature on the problem of tarahil workers is generally emotional and no attempt has so far been made to carry out a serious study of this group. However, reference can be made here to some works that provide descriptive material: Attia El-Serafy, The Tarahil Labourers, Cairo, 1975; the January 1971 issue of Al-Taliaa on "The Tarahil Labourers: the Problem and the Solution"; and Fathy Abdel-Fattah, The Egyptian Village, Cairo, 1973.

Historically, the tarahil labour was a product of the development of capitalism in Egyptian agriculture. The transition from a "feudalist" to a "capitalist" agrarian system following the establishment of private land ownership in the second half of the 19th century, has resulted - through the parallel processes of concentration of large ownerships and fragmentation of small ones, together with rapid population growth - in the marginalisation of increasing numbers of peasants who had no claim to land and had to join the ranks of the landless. The tarahil system first began by the State recruiting gangs of fellahin (peasants) to work on the irrigation system under the notorious system of corvée, forced labour. Following the abolition of corvée in 1884, a specialised group of middlemen, mukawel aufer, took over the responsibility of recruiting these peasants either to work on large estates or for public works at certain seasons of the year. The economic and social conditions of tarahil labourers before agrarian reform have genuinely earned them the label: the Wretched of the Earth (long before Fanon wrote his famous work). Successive land reform laws have made some provisions to improve their conditions. Thus, the minimum wage legislation of November 1952 was primarily enacted for their benefit; the same law also fixed the working day at eight hours; and in 1964 Law No. 62 instituted, for the first time in the country's history, the right of agricultural labourers to form trade unions. But the gap between legislation and reality remained extremely wide. Minimum wage and working hours legislation, as we mentioned earlier, were hardly enforced at least in the 1950s. Moreover, the loose definition of a "peasant" who is eligible for the membership of the union led to the domination of these organisations by middlemen and sometimes even landowners rather than labourers.⁸ Thus, by 1966, the General Union of Agricultural Labourers with its 4,057 branches had only 37,650 labourers or 10 per cent of the total agricultural labour force.⁹ Despite some scattered initiative in some regions of the country during the 1960s, the conditions of the tarahil labourers remained more or less unchanged.¹⁰ As late as 1964 Nasser himself declared that "We are now facing the problem of 3 million agricultural labourers in the rural areas; with no guarantee of a stable wage to protect their present, no social security ensure their future, and with little or no access to services."¹¹ A survey of a tarahil community carried out in 1972 provides some

⁸ Fathy Abdel-Fattah, The Contemporary Village, Cairo, 1975, p. 250.

⁹ Hosny Hussein, "Tarahil Labourers on the New Land", Al-Taliaa, January 1971, p. 21.

¹⁰ A number of attempts by local authorities were made during the 1960s the main purpose of which was to protect the tarahil labourers from the middleman's exploitation and to provide a minimum of medical services. But these were isolated and short-lived cases. For a case history of these attempts see Attia Al-Serafy, "The Tarahil Labourers: Four Attempts to Solve their Problems", Al-Taliaa, January 1971.

¹¹ Nasser's speech on 6 March 1964.

staggering facts about the life of those peasants.¹² Of the 700 labourers interviewed, 18 per cent were women and a very high percentage (45 per cent) were children (less than 15 years old); a reflection of the somewhat recent phenomena of family migration. Illiteracy rate was extremely high: 79 per cent among males and 92 per cent among females; much higher than the average for rural Egypt (65 per cent on average in 1970). Almost all the sample population were landless and owned no livestock or any other assets. Their sole source of income was their wage. A typical labourer joined 3-4 tarahil every year totalling 110 days on average, and was unemployed for 255 days a year. At an average monthly wage of E£7.50, and given the number of days worked, per capita income amounted to E£28 a year or E£2.30 a month. Living conditions in the camp were "inhuman": they slept in cattle sheds, had no medical care, drank muddy water and suffered from acute malnutrition. According to another source, the usual diet of a tarahil worker (invariably bread, cheese and onions) contains 2,515 calories (of which 2,400 are from bread), while the minimum requirement for such heavy duties amounts to 4,500 calories.¹³ It is no wonder that many of these labourers never return to their villages.

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This survey was carried out by the Department of Sociology, Cairo University in two stages: the first was a pilot survey covering the period 8-15 July 1972, and the second, the actual survey, was carried out between 12 and 21 October of the same year. For details see Hikmat Abuzeid, "The Economic and Social Conditions of Tarahil Labourers", Al-Katib, Vol. 15, No. 166, January, 1975.

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Attia Al-Serafy, The Tarahil Labourers, op. cit., pp. 88-90.

III. CO-OPERATIVES AS AN ALTERNATIVE FORM OF
ORGANISATION FOR RURAL DEVELOPMENT

INTRODUCTION

One of the most distinctive features of the Egyptian agrarian reform was the creation of the supervised co-operatives. These co-operatives, first established in agrarian reform areas but later extended to cover almost the entire countryside, have become the most important policy instrument through which Government influences rural development. The wide network of co-operatives which were created over the last quarter century have enabled the Government to reach the remotest areas of rural Egypt. Here we shall attempt an appraisal of this important institution. The principal question is to what extent did the new institutional set-up succeed as an alternative form of agricultural organisation. In other words, to what extent did the co-operative system succeed in changing the character of the predominantly capitalist agriculture which developed in Egypt since the establishment of private land ownership in the second half of the nineteenth century? To answer this question, we shall first begin with a brief survey of the evolution, objectives and structure of the co-operative system in order to define the nature of co-operatives and to chart the elaborate institutional set-up created by the successive agrarian reform laws. Secondly, we shall draw on available data and case studies of individual co-operatives in an attempt to examine the impact of the co-operative system and the various policies it introduced on resource allocation, the transfer of agricultural surplus, the process of differentiation and the change in the socio-political power structure in the Egyptian village. Finally, we shall conclude with some remarks on the present-day crisis of the co-operative system.

CHAPTER FIVE

HISTORY, OBJECTIVES AND ORGANISATIONAL STRUCTURE OF THE CO-OPERATIVES

The creation of the supervised co-operatives in 1952 was undoubtedly a turning point in the history of the co-operative movement in Egypt. The movement, which began in the early years of the twentieth century, reflected, at each stage of its development, the impact of the economic and political conditions prevailing in the country.¹ Broadly, we can distinguish two phases of development prior to the 1952 Agrarian Reform. The first phase began at the turn of the century when the emerging class of Egyptian capitalists (mainly landowners and cotton merchants) were looking for an alternative source of finance to substitute the decreasing flow of foreign capital, especially after the crash of 1907. Agricultural credit was difficult to obtain from a banking system totally controlled by foreign interests. Commercial banks were mainly interested in financing the principal export crop - cotton - by advancing short-term loans to big landlords, merchants and exporters. Real estate companies were heavily engaged in financing speculative land transactions and large landowners. Small farmers (owning less than five feddans) who represented 80 per cent of Egypt's landowners had no access to organised credit. The problem of rural indebtedness was reaching serious levels. Commercial banks were unwilling to undertake small credit transactions with small holders except for the trickle that passed down through intermediaries at a much higher interest rate than the statutory maximum of 9 per cent. For loans, real estate banks asked for collateral security which was far beyond the ability of small holders to provide. Given these conditions, the majority of farmers had no choice but to turn to the village moneylender for their credit needs. The rates of interest charged ranged from 30 to 40 per cent, and at times were as high as 50 per cent per annum.² These exorbitant rates represented a heavy charge on the incomes of small holders. "In many cases it led to gradual impoverishment of the farmers and to an ever-growing reliance on moneylender credit, a vicious circle which could only end with the forfeiture of land."³ Some attempts were made to improve the system of rural credit, the most important of which was the establishment in 1902 of the Agricultural Bank of Egypt to provide loans in small sums (£500) at a low interest rate (8 per cent). But the inability of most borrowers to repay due to sharp fluctuations in cotton prices led to a wave of expropriation of land which affected smallholders in particular.⁴ The promulgation of the five-feddan law in 1912 (prohibiting seizure for

¹ The history of the co-operative movement in Egypt has been the subject of numerous studies. See, for example, Tarik El-Bishry, "The History of the Co-operative Movement in Egypt", Al-Taliaa, September 1965; Abdel Rahman El-Rafei, Agricultural Co-operative Unions, Cairo, 1914; A. El-Tanamy, "Agricultural Credit and Co-operative Organisation", L'Egypte contemporaine, Vol. 53, No. 310, October 1962; and the article on "Agricultural Co-operation in Egypt", Al-Taliaa, October 1972.

² Eprime Eshag and M.A. Kamal, "A Note on the Reform of the Rural Credit System in UAR (Egypt)", Bulletin of Oxford University Institute of Economics and Statistics, Vol. 29, No. 2, May 1967.

³ *ibid.*, p. 98.

⁴ The number of expropriations of smallholdings during 1909-13 averaged around 450 per year; *ibid.*, p. 98.

debt of properties of five feddans or less) had the adverse effect of reducing the banks' lending operations with the result that, in 1913, the bank loans offered to smallholders amounted only to £4 million compared to debts of £12 million to private moneylenders. It was within this context that a group of reformers led by Omar Lutfi called for the creation of "agricultural unions" to provide farmers with the necessary credit and services on a co-operative basis.

The movement gathered momentum especially because of the support given to it by the nationalist leaders who regarded the formation of agricultural co-operatives as an essential ingredient of economic emancipation: the prerequisites for political independence.⁵ Mohamed Farid, the leader of the nationalist movement, argued that: "There was no way out of the fellah's misery except by the formation of agricultural unions to defend him against the Government, against landowners who keep increasing rents for known and unknown reasons, and against usurers who expropriated whatever remained from the greed of landowners and the injustice of Government".⁶ The first agricultural co-operative was thus established in 1910, and by 1914 there were 23 co-operatives in various parts of the country. But the movement was soon to die down because of strong government opposition, especially under the war conditions, to an autonomous popular movement. More important perhaps was the fact that all these co-operatives developed into clubs for the village notables. They were almost totally dominated by large landowners who lived in rural areas and who used these institutions for their own interest with little or no benefit to smallholders.

The 1920s and 1930s witnessed the second stage in the development of the co-operative movement. Following the 1919 Revolution, pressure was mounting for the formation of agricultural co-operatives in order to enable farmers to cope with the effects of the successive agricultural crises which culminated in the Great Depression of 1929-32. The Government issued a number of decrees (Laws No. 27 of 1923 and No. 23 of 1927) organising agricultural co-operatives and providing them with the necessary assistance. One of the most important measures taken in this period was the establishment in 1931 of the "Crédit Agricole d'Egypte" to provide co-operatives with the needed credit at a low interest rate (5 per cent). There was a notable expansion of the co-operative movement during this period. Nevertheless, the Government maintained a tight grip on the movement, mainly through allocation of funds to the Crédit Agricole, which limited the effectiveness of most societies. Wartime difficulties led to a renewed call for government support. The Government reacted by issuing Law No. 58 of 1944 giving limited freedom to co-operatives and creating the Department of Co-operation within the Ministry of Social Affairs as the agency through which state support was to be channelled. More important perhaps was the reorganisation of the Crédit Agricole. In 1948 the bank's name was changed to the "Crédit Agricole et Cooperatif" and its capital increased in order to provide more credit to co-operatives. Despite the notable growth of agricultural co-operatives during this period,⁷ the main weaknesses of the system

⁵ Tarik El-Bishry, op. cit., p. 42.

⁶ *ibid.*, p. 42.

⁷ The number of agricultural co-operatives increased from 559 (with a membership of 54,973 and a capital of £158,382) in 1932 to 1,565 societies (with a membership of 545,756 and a capital of £744,782) in 1944; *ibid.*, pp. 48 and 50.

remained unchanged. First, and perhaps most important, was that agricultural co-operation lost its popular character in the face of increasing government intervention. The co-operative societies, originally thought of as voluntary and democratic institutions, were in most cases reduced to branches of the Crédit Agricole, the sole function of which was to provide credit. Even this role was extremely limited in view of the meagre resources allocated by the Government or the banking system. For instance, the total loans granted by the Crédit Agricole amounted to £2 million in 1933 and rose to £5 million in 1935, but stagnated at this level for 12 years until 1947. Although they rose substantially in the following five years (to £15.7 million in 1952), they could hardly cover more than a fraction of rural credit needs.⁸ Moreover, small peasants, who were supposed to be the main beneficiaries of the system, had little or no access to co-operative services. The low credit-worthiness of these peasants made it difficult for them to obtain co-operative credit. Most co-operatives were dominated by large landowners who found it advantageous to form themselves into co-operative societies in order to obtain cheap credit. The definition of "small owners" who could qualify for co-operative cash loans had little effect in favouring the genuinely small peasants. A "small owner" was initially defined as an owner of 30 feddans or less. But the pressure from big landowners resulted in successive raising of this ceiling to include larger farmers until, in 1937, the definition was extended to include owners of 200 feddans or less. In this way, 99.9 per cent of all landowners, holding three-quarters of the total agricultural land, were made eligible for individual cash loans.⁹ Under such conditions, the genuinely small peasants had no alternative but to continue their dependence on the usurious private moneylender, a process which usually resulted in the loss of their smallholdings and their joining the ranks of the landless.

It emerges very clearly from the brief survey above that the co-operative system, as it evolved during the first five decades of this century, has reflected the main features of the prevailing agrarian system, a system which was dominated by large landowners. Thus the co-operatives were no more than credit institutions catering mainly for the needs of this dominant class with little or no regard for small landholders.

It was against this background that the supervised agricultural co-operatives were created. The First Agrarian Reform of 1952 made it obligatory for all land reform beneficiaries in any one village to form a co-operative society among themselves. The co-operative was to replace the former landowner in the organisation of cultivation, provision of credit and other inputs, and the marketing of produce. With Government concentrating its services through co-operatives, the system was extended beyond the boundaries of agrarian reform areas until it covered almost all of rural Egypt by the mid-sixties. The following table provides an idea of this expansion.

⁸ Eshag and Kamal, op. cit., p. 100.

⁹ *ibid.*, p. 100.

TABLE 5.1

Expansion of agricultural co-operatives

Year	1952	1962	1965	1970	1972
Number of co-operatives	1 727	4 624	4 839	5 049	5 008
Membership (000s)	499	1 777	2 369	2 830	3 118
Capital, E£ (000s)	661	2 178	2 653	7 415	7 915

Source: Statistical Yearbook, various issues.

Thus we find that, over a period of 20 years (1952-72), agricultural co-operatives tripled in number, their membership increased by over six times and capital by about 12 times.

As a result of this rapid growth, Egypt now possesses an elaborate and highly complex co-operative system. Figure 5.1 presents a summary of our attempt to map out a picture of the maze of institutions created by the successive laws organising agricultural co-operation.¹⁰ On the functional, or horizontal, level we can distinguish between three types of agricultural co-operatives: (a) the agrarian reform and the land reclamation co-operatives, created in land reform and newly reclaimed areas to cater exclusively for the needs of land distribution beneficiaries; (b) the general, or multipurpose, co-operatives (also known as the credit co-operatives) which has as their members all the farmers on the "old" land, i.e. outside land reform areas; and (c) the specialised co-operatives, with a membership of producers engaged in agriculture-related activities such as animal husbandry, fisheries and food processing. Of these three categories, the general, or multipurpose, is the most important: these co-operatives service some 87 per cent of the country's cultivated land, account for 83 per cent of the total membership of co-operatives and control 70 per cent of their capital.¹¹

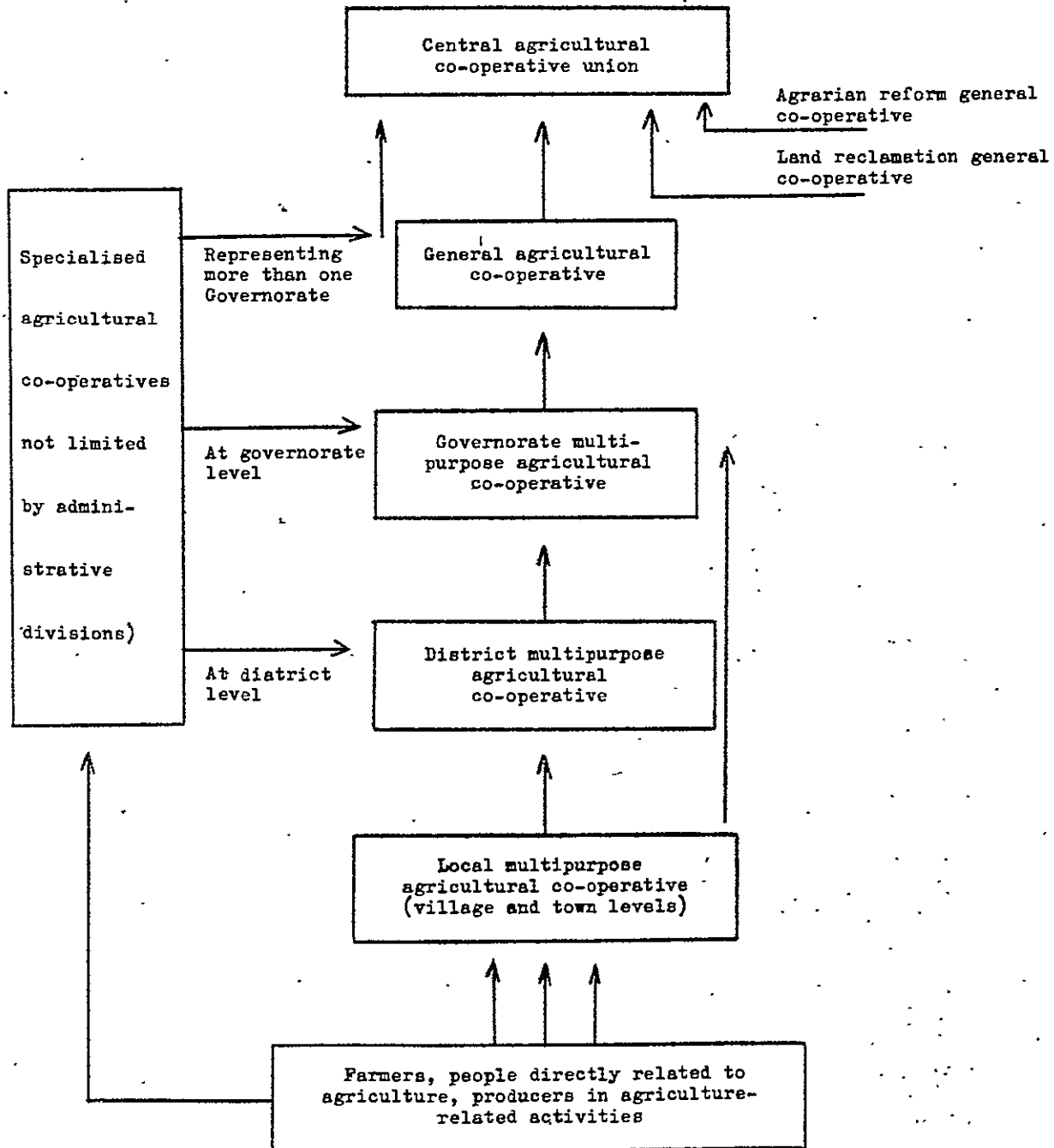
The organisational structure of these co-operatives is pyramid shaped with the local, or village, society at its base, the co-operative union at the top and three middle strata corresponding to the country's administrative hierarchy: the District (Markaz), the Governorate (Muhafaza), and the country as a whole. The local

¹⁰ The piecemeal approach to co-operative organisation in Egypt resulted in a multiplicity of legislation: the First Agrarian Reform Law (No. 178 of 1952) established co-operatives in land reform areas; with the expansion of co-operatives beyond land reform areas Law No. 317 of 1956 was issued to establish the organisational structure of the system; and by the end of the 1960s, numerous institutions were created so that the need was felt for a new legislation, hence Law No. 51 of 1969 which provided for a comprehensive organisation of the co-operative sector. For an interesting study on this point, see Mohamed Abdel Wadood Khahil, Amendments and Additions to the Legal Base of Agrarian Reform in Egypt, INP, Memo No. 1033, Cairo, 1973.

¹¹ These figures refer to 1969; see CAPMS, Annual Bulletin of Co-operative Activities in the Agricultural Sector, 1969, Cairo, 1971, p. 8.

FIGURE 5.1

Co-operative structure in Egypt



co-operative, which is the cornerstone of this structure, is created in each village with a minimum membership of 20. It is run by an elected council of five to seven members assisted by a supervisor (Mushrif) who is usually an agricultural engineer appointed by the Ministry of Agriculture. In many co-operatives, the Government will also provide a clerk and an accountant.

This elaborate system of agricultural co-operatives has two basic functions: to be the primary channel through which government services reach the small farmers and to serve as an efficient instrument of government policies concerning the improvement of production and the mobilisation of agricultural surplus. The wide network of co-operatives has enabled the Government, perhaps for the first time, to reach the remotest areas of rural Egypt and to influence in a direct way the course of rural development. Through the co-operatives the Government was able to reorganise production by introducing the system of land consolidation and the arrangement of crop rotation. An elaborate marketing and pricing policy also enabled the Government to manipulate the agricultural surplus. To sum up, the system of peasant agriculture which Egypt had known for about a century was now witnessing important changes. What was the significance of these changes and whether they managed to alter the fundamental character of that system are the questions we shall now attempt to answer.

CHAPTER SIX

APPRAISAL OF EGYPT'S CO-OPERATIVE SYSTEM

The Charter of National Action defined the objectives of co-operatives in the following terms:

Agricultural co-operation is much more than mere simple credit, to which it was confined till recently. It starts by the process of pooling agricultural exploitation, which proved to be very successful. It goes parallel with the financial process which protects the farmer and liberates him from usurers and middlemen who take the largest part of the fruit of his labour. Co-operation also enables the farmer to use the most modern machinery and scientific means to raise production. It helps the farmer in marketing, which enables him to obtain the highest returns to his continuous labour and toil.¹

We shall examine here the extent to which Egypt's co-operative system has lived up to this promise. Our appraisal will centre around three basic issues: the co-operatives as an alternative form of organising agricultural production; the impact of co-operative marketing and pricing systems on the mobilisation and transfer of agricultural surplus; and the effect of credit policy on differentiation.

(i) Co-operatives and the organisation of agricultural production

One of the most interesting features of Egypt's co-operative system was the attempt to reorganise agricultural production through the introduction of the system of land and crop consolidation. One of the basic problems in the way of increased agricultural productivity and efficiency has been the continuous fragmentation of landholdings. The problem of fragmentation - manifested by the structure of ownership being dominated by tiny and separated holdings - has been a constant feature of Egyptian agriculture since the establishment of private land ownership. We have seen earlier how the structure of land ownership has always been dominated by small-holders and how the average size of their holdings has declined over time, while that of medium and large landowners remained remarkably constant (table 1.1 above). Various reasons account for this phenomenon: the unequal distribution of land ownership; the unfavourable and worsening man/land ratio resulting from a rapid population growth and an almost stagnant supply of cultivated land; and the effect of the Moslem law of inheritance. By the beginning of the 1950s, the problem of fragmentation had reached serious dimensions; most of the landholdings were much below what was considered a minimum viable size of farm - three feddans.² According to the 1950 agricultural census, the total number of operational holdings amounted to 1,003,000, of which 62 per cent were below three feddans and of an average size of 1.3 feddans.³

¹ The Charter of National Action, Cairo, 1962, Chapter VII, p. 55.

² An area of three feddans was considered the minimum holding to be operated by the labour of an average family in rural Egypt. Cf. Sayed Marei, The Fragmentation of Agricultural Land in Egypt, Higher Institute for Socialist Studies, Cairo, 1965.

³ Department of Statistics and Census, Agricultural Census 1950, Vol. I, Cairo, 1958, table 3, pp. 34-35.

The system of crop and land consolidation was first applied to land reform areas. The co-operatives treated the whole land reform area controlled by them as a single unit which they divided into three blocks, each of which was planted with a single crop according to the phase of the triennial crop rotation. Though farmers retained both ownership and responsibility for their own plot, a number of important farming operations, which could be performed more efficiently on a large-scale basis, such as mechanised ploughing, crop fumigation and pest control, were done by the co-operative. The rationale of the system was defended on the grounds that it combined the advantage of large-scale management with that of providing the incentive of private gain to individual farmers.⁴ The advantages of this system became immediately apparent. Crop consolidation saved land and may have increased yields. By cultivating a single crop in a large area, it was possible to eliminate the maze of separate irrigation and drainage channels required by the cultivation of a variety of crops on the same land, thus saving some 10 to 20 per cent of the cultivated land.⁵ Moreover, crop consolidation made it possible to avoid certain losses caused by the contiguity of different crops with varying irrigation requirements in a single block of land, which often resulted in the transmission of pests and diseases from one crop to another. Crop consolidation made it also possible to introduce a uniform and more efficient system of crop rotation. The damage to soil fertility under the biennial system (which was popular during the postwar cotton boom) was considerable because of the greater frequency of cotton crops, the short fallow period and the less frequent planting of clover. Under the new triennial rotation, where cotton was cultivated every third year, soil was allowed to rest eight months and clover was grown twice in every three years. It was estimated that the change in the system of rotation has increased the yield of land by as much as 20 per cent.⁶ Finally, the undertaking of certain agricultural operations by the co-operatives may have involved economies of scale and ensured the quality of performance.

The success of land and crop consolidation on land reform areas led the Government to think of extending the system to non-reform areas. A pilot experiment was conducted in the village of Nawag in 1955 when the Government initiated a scheme of voluntary co-operation to consolidate fragmented holdings.⁷ In this village of 1,543 feddans with 1,585 owners, there were 1,181 holdings scattered among 3,500 plots, each differently drained and irrigated. Of the 1,585 owners, 1,346 had one feddan or less; only 11 owners had more than 10 feddans, of which the two largest holdings were about 40 feddans each. The agrarian reform authorities reactivated the semi-dormant co-operative in the village and persuaded landowners to pool their land for cultivation in a manner similar to that followed in land reform villages.

⁴ E. Eshag and M.A. Kamal, "Agrarian Reform in the UAR", Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 30, No. 2, May 1968, p. 86.

⁵ Sayed Marei, Agrarian Reform in Egypt, Cairo, 1957, pp. 190-191.

⁶ Eshag and Kamal, op. cit., p. 87.

⁷ For a detailed case history of this experiment, see Gabriel Saab, The Egyptian Agrarian Reform, 1952-62, London, 1967, Appendix I, pp. 190-196.

The entire land of the village was divided into several large blocks each incorporating a number of smallholdings. The owners of the plots in each block were required to follow a uniform system of crop rotation. Moreover, those farmers who owned separate pieces of land located in different parts of the village were induced to regroup their holdings in a single block on an exchange basis. The Nawag experiment produced impressive results in terms of yields to the extent that it was considered a turning point in Egypt's land reform programme.⁸

By the early 1960s the movement toward consolidation was gaining strength and momentum, and the Government considered the generalisation of the system to the whole country. Two provinces, Kafr-el-Sheikh and Beni Suef, were chosen as a testing ground for an elaborate system of co-operative reorganisation.⁹ Here again, the right of private ownership was not affected, though owners were asked to consolidate their holdings and follow a uniform crop rotation. A number of supervised co-operatives were established, each in charge of an area of 1,500 feddans. Co-operatives provided high-yielding variety (HYV) seeds and inputs, mechanical tractors, advice, credit and marketing facilities. The results demonstrated beyond any doubt the feasibility and desirability of the co-operative reorganisation of village economics.¹⁰ The Government drew a plan to extend the system into the rest of the country by 1970.

Evidence suggests that beyond the establishment of co-operatives and the enforcement of the crop rotation system, the land and crop consolidation programme had a limited success. First of all, it has failed to solve the problem of fragmentation which, many writers believe, has actually worsened during the last few years.¹¹ It is interesting to mention here the ironical fact that the agrarian reform law, which prohibited the division of landholdings below a minimum of five feddans, has itself provided for the distribution of land to agrarian reform beneficiaries in parcels of two to five feddans (Article 9 of Law No. 178 of 1952). More important perhaps was the adverse effect of the consolidation system on poor and small landowners who found it difficult to diversify their products. Their small plots of land would inevitably fall within a single block and they would be obliged to grow a single crop. For example, if, according to the crop rotation, their plot falls in the cotton block, they will have to buy their needs of wheat and corn and clover for their animals on the open market. Here, the larger landowners have an advantageous position: their holdings are large enough to enable them to diversify their production and have a surplus to sell. A study of ten villages has shown that this situation has resulted in the creation of an active black market,

⁸ Between 1955 and 1958 there was an increase in the average yield per feddan of 30 per cent for cotton and 15 per cent for wheat. See Jirjis S. Oweis, "The Impact of Land Reform on Egyptian Agriculture: 1952-65", Intermountain Economic Review, Vol. II, No. 1, Spring 1971, p. 60.

⁹ Public Organisation of Land Reform, The Project of Reorganising Agricultural Production in the Governorates of Kafr-el-Sheikh and Beni Suef, Cairo, 1965.

¹⁰ Oweis, op. cit., p. 60.

¹¹ Ahmed Hassan Ibrahim, "Co-operative Farms: A System We Should Try to Eliminate - Fragmentation", Al-Taliaa, October 1972, p. 35.

especially in cereals, rice and fodder, where large landowners sold their surplus to small farmers at exorbitant prices.¹² Moreover, the practice of small farmers hiring land for specific seasons to grow a specific crop at rents much higher than the official rate became widespread.¹³ It is not therefore surprising that the system was strongly resisted by small farmers.

From the above discussion we can conclude that the ideas of land and crop consolidation had a great potential in creating a new form of communal land system. While the co-operatives were, to a large extent, instrumental in preventing further exhaustion of the soil by introducing the new triennial rotation, they have certainly not succeeded in providing a viable alternative to the system of peasant agriculture except, perhaps, on land reform areas. For the new system of consolidation to succeed a more radical change in land distribution would have been necessary. Moreover, the lack of enthusiasm on the part of bureaucrats in charge of the project - who, in most cases, were in collusion with large landlords who remained the dominant power in the village - stifled the experiment from the start. To sum up, the Egyptian co-operative system has failed to introduce an alternative form of organisation for agricultural production. All it did was to patch up some of the obvious deficiencies of the existing system mainly through crop consolidation. A negative aspect of this system, however, was its adverse effect on poor and small peasants since it has resulted in a redistribution in favour of larger farmers. What emerges very clearly from the Egyptian case is that half-hearted measures can only lead to negative results. It is therefore not surprising that many writers on the agrarian question have argued that there was no alternative for Egyptian agriculture but a total reorganisation of the system of supervised co-operatives and the creation of "production co-operatives", where land would be cultivated and income distributed on a communal basis.¹⁴

(ii) Co-operatives and the provision of agricultural inputs

One of the main objectives of the supervised co-operatives was to influence agricultural productivity through the supply of improved inputs - seeds, fertilisers, pesticides, technical advice and, above all, credit. By mid-century, agricultural development in Egypt had reached a stage where it crucially depended on better inputs and improved methods of cultivation. The co-operatives provided a convenient network, akin to an agricultural extension service, which the Government used to promote "new inputs" and diffuse new techniques.¹⁵

¹² Ahmed Hassan, A Field Study on Crop Rotation in Ten Villages, INP, Cairo, 1974.

¹³ *ibid.*

¹⁴ See, for instance, Ahmed Hassan Ibrahim, *op. cit.*, p. 36, and Mahmoud Abdel Raouf, "The Development of Agriculture through Co-operation", Al-Taliaa, October 1972, pp. 62-66.

¹⁵ Robert Mabro, The Egyptian Economy, 1952-72, Oxford, 1974, p. 75.

The total value of inputs supplied by the co-operatives increased considerably during the 1950s, and by the mid-1960s they became the sole supplier of most inputs. The Government had a monopoly of supply for fertilisers, certain selected seeds and pesticides, and used the co-operative as a distribution channel. Table 6.1 provides a clear idea of the expansion that occurred. There is no doubt that the co-operatives have played an important part in the dissemination of such inputs. Moreover, easy and cheap credit, in cash and kind, must have made it easier for poor and small peasants to have access to these inputs. Co-operatives were also instrumental in extending the use of improved seeds and, to a lesser extent, new cultivation techniques.

TABLE 6.1

Value of inputs supplied by the co-operatives 1960-73

(EE thousands)

Agricultural years	Seeds	Fertilisers	Pesticides	Pest-control equipment	Bags
1960	542	2 149	960	116	14
1961	561	1 942	1 539	352	137
1962	523	1 166	3 129	480	500
1963	731	3 025	1 894	482	700
1964	856	7 531	1 647	1 065	1 000
1965	1 202	8 993	1 785	55	1 174
1966	1 191	9 153	2 442	961	n/a
1967	3 348	9 845	2 203	12	n/a
1968	4 771	11 679	1 623	n/a	n/a
1969	4 661	10 966	1 655	48	1 554
1970	3 806	8 989	1 757	46	n/a
1971	3 038	9 048	2 072	n/a	n/a
1972	3 006	7 607	2 547	12	1 398
1973	3 720	6 585	2 569	12	n/a

Source: Statistical Yearbook, various issues.

Increases in the volume and changes in the terms of credit were among the most important complementary measures to land reform. We have seen, from our brief historical survey, how the pre-reform rural credit system suffered from two basic deficiencies: inadequacy of funds and the absence of machinery which would direct available credit towards the poorer peasants who were left at the mercy of usurious moneylenders. The question of the volume of credit was solved by authorising the Agricultural Credit Bank to raise the money needed for its lending operations by borrowing from the Central Bank and, later, through the issue of bonds up to the value of EE30 million. Moreover, interest on co-operative loans was abolished in 1961 and, even when it was re-established in the late 1960s, it was fixed at the low rate of 4 per cent, which went up to 6 per cent in case of delay in repayment.¹⁶

¹⁶ For a detailed account of the terms of co-operative credit, see Nabil Hussein Mostafa, A Study of Accumulated Debts to the Organisation of Agricultural and Co-operative Credit, unpublished diploma dissertation, INP, Cairo, 1974, pp. 22-46.

Further steps were taken to solve the more difficult problem of ensuring the access of poorer peasants to credit. By 1962, the co-operatives had become the sole channel through which rural credit facilities could be extended to farmers, and loans were advanced against the security of crops instead of land, as was the case before. In 1964, there was a major reorganisation of the rural credit system. The Agricultural and Co-operative Credit Bank was converted into the Organisation for Agricultural and Co-operative Credit. Under the new Organisation, both marketing and credit operations of the co-operatives were brought together under tighter control. Branches of the Organisation all over the country were entrusted with the task of collecting and selling the cash crops on behalf of co-operatives and paying farmers the proceeds of their crops after deducting the debts due from them. The most notable feature of this new scheme was its emphasis on short-term loans in kind - such as seeds, fertilisers, insecticides - which were made to each farmer according to the area of his farm and the type of crop planted.

It is not surprising that the reform of the rural credit system through co-operatives has led to a rapid increase in the flow of credit to the farmers. Table 6.2 shows a notable growth in the volume of rural credit, especially during the 1960s. The volume of credit (at current prices) was more than doubled. However, the significance of this increase in the supply of credit should not be exaggerated. The real growth of rural credit was not that impressive. If we look at the volume of credit at constant prices (column (2) of table 6.2), we shall find that rural credit increased from E£41 million per year on average during the period 1960-64 to E£65 million for 1965-70, and then dropped to E£56 million during 1970-75. Moreover, it seems that, despite this growth in the volume of credit, co-operative credit was far from satisfying the farmers' needs. The ratio of co-operative credit to the cost of agricultural production increased from 24 per cent in the 1950s to 28 per cent in the 1960s, but declined to 24 per cent again in the 1970s.¹⁷ A detailed breakdown of loans by purpose and kind reveals a typical pattern: the dominance of short-term loans which provide finance for current agricultural operations (seeds, fertilisers, pesticides and hiring of wage labour). Medium-term loans for development purposes (purchase of livestock and machinery, land reclamation and development of fruit orchards) constitute a very small proportion of the total.

The improved supply by co-operatives of credit and other inputs must have contributed to the increase in agricultural productivity which took place during the last 25 years. Evidence suggests that productivity - measured in terms of yields of major crops - has increased between 40-75 per cent over the period 1952-72.¹⁸ The increase has been particularly impressive during the late 1950s and 1960s, a period which coincided with the expansion of co-operatives.¹⁹ It is, however,

¹⁷ In the absence of data on total credit supply to farmers, we used the cost of agricultural inputs as a proxy of total credit needs. Detailed figures from M.A. El-Shabaat and S.Z. Nassar, "An Economic Analysis of State Farm Credit in Egypt", *L'Egypte contemporaine*, July 1973, p. 96.

¹⁸ In 1971, indices of yields per feddan for the seven major crops (average 1948-51 = 100) amounted to: cotton 150; wheat 165; maize 174; millet 154; barley 134; rice 140; and sugar cane 133. See Mabro, *op. cit.*, p. 81.

¹⁹ *ibid.*, p. 80.

TABLE 6.2
Co-operative loans by type and purpose

(EE million)

(a) Loans by term

Year	Total		Medium-term	Short-term
	(1)	(2)		
1959-60	36.6	36.6	1.5	35.1
1960-61	39.4	39.4	1.2	38.2
1961-62	42.4	43.3	0.9	41.5
1962-63	53.9	37.2	2.1	51.8
1963-64	59.5	41.6	3.2	56.3
1964-65	65.4	46.7	2.6	62.8
1965-66	79.4	58.0	1.3	78.1
1966-67	86.4	66.0	2.2	84.2
1967-68	78.6	69.6	2.3	76.3
1968-69	68.8	63.1	1.9	66.9
1969-70	80.8	74.1	1.8	79.0
1970-71	77.0	60.0	0.9	76.1
1971-72	78.0	60.5	0.9	77.1
1972-73	77.9	60.0	1.1	76.8
1973-74	83.7	62.0	1.3	82.4
1974-75	81.4	39.1	1.8	80.6

(b) Loans by input classification

Year	Tractors	Machinery	Livestock (cattle)	Seeds	Insecticides	Fertilisers
1959-60	-	0.8	0.6	1.9	-	12.6
1960-61	-	0.7	0.6	2.3	-	16.4
1961-62	0.5	0.7	0.2	2.8	1.6	17.1
1962-63	0.1	1.5	0.6	2.7	6.9	20.3
1963-64	-	0.7	1.0	2.9	9.0	20.4
1964-65	0.3	0.8	1.3	3.0	6.0	25.3
1965-66	1.2	0.9	1.9	4.6	7.8	34.7
1966-67	0.9	1.8	2.3	5.8	9.6	38.0
1967-68	0.8	1.9	0.9	8.9	7.2	35.9
1968-69	0.2	1.6	0.9	7.5	6.3	32.0
1969-70	0.6	1.5	2.3	7.3	9.2	35.0
1970-71	-	0.6	1.8	7.7	9.5	32.6
1971-72	0.5	0.7	2.2	7.5	12.0	30.8
1972-73	0.5	0.7	2.3	6.8	5.2	37.7
1973-74	1.0	-	3.2	6.7	6.8	37.7
1974-75	3.0	-	1.8	8.0	9.1	35.7

(1) At current prices.

(2) At constant prices [(1) deflated by the price index of manufactured agricultural inputs used in the calculation of the terms of trade. See Appendix II.]

Source: Egyptian General Organisation for Agricultural and Co-operative Credit.

difficult to assess the contribution of co-operatives to improvements in land productivity as it cannot be separated from the contribution of other factors. Improved productivity may have resulted from a complex of factors: the introduction of HYV seeds especially in the case of maize, the effect of land redistribution in raising output per unit of distributed land, and the massive government investment in the development of the irrigation and drainage systems. It is our view, therefore, that the rise in productivity reflected the effect of "the package" of related measures carried out under the umbrella of agrarian reform, of which an improved supply of credit and other inputs were important factors.

So far, we have attempted to assess the impact of improved supply of credit (and other inputs) on the growth of output, without reference to their effect on the process of differentiation among the peasantry. Fragmentary evidence on this hitherto neglected subject suggests that the system may have favoured large farmers rather than small and poorer peasants. Table 6.3 provides a breakdown of co-operative loans by size of land ownership of debtors for two selected years, 1963-64 and 1972-73.

TABLE 6.3

Co-operative credit by size of land ownership

Size of holding (feddans)	1963-64*					1972-73*				
	Loans advanced (E£m.)	%	Number of debtors (000s)	%	Average debt/person (E£**)	Loans advanced (E£m.)	%	Number of debtors (000s)	%	Average debt/person (E£)
< 5	25.4	50	1 177	85	22	35.4	50	2 158	83	164
5-25	15.6	31	187	13	83	30.5	43	409	16	75
> 25	9.7	19	26	2	373	5.0	7	22	1	227
TOTAL	50.7	100	1 390	100	36	70.9	100	2 589	100	27

* Percentages and averages rounded.

** Average debt per unit of land was available only for this year. It amounted to E£10.597, 10.573 and 10.597 per feddan for the three ownership classes respectively.

Sources: 1963-64: Sami Abu el-Ezz and Ahmed Abu el-Ghar, Co-operative Financing, Cairo, 1971, p. 485; 1972-73: Nabil Hussein Mostafa, A Study of Accumulated Debts to the Organisation of Agricultural and Co-operative Credit, unpublished diploma dissertation, INP, Cairo, 1974, pp. 65, 70.

A number of interesting features emerge from the above table. Despite an apparent equality in the distribution of credit by a unit of land (as evidenced by the data available only for one year, 1963-64), we find that small peasants, who represent the majority of debtors (83-85 per cent) and the most needy, get half the credit advanced by the co-operative system, while medium and large landowners get the other half. Moreover, a comparison of the average share of credit per person in the small and the large classes of ownership shows a positive correlation with the size of land ownership. One would expect an inverse relationship under a credit policy which was primarily designed to relieve small and poor peasants of their burden of indebtedness. Various writers have suggested that medium and large landowners found in the credit facilities advanced by the co-operatives a cheap source of finance not only for their agricultural operations, but to enhance their wealth by buying more land, machinery, livestock and sometimes to finance some commercial business.²⁰ When the Government tried to check this trend by imposing a rate of interest of 4 per cent on loans advanced to holders of ten feddans and more, many large landowners reacted by dividing their holdings into plots of less than ten feddans to benefit from the exemption from interest.²¹

Unequal distribution of credit was not the only means by which large landowners appropriated the greater part of co-operative finance. A common practice has been to raise substantial amounts of capital through continuous accumulation of co-operative debts. They were encouraged by the lenient penalty rate of interest on arrears, 6 per cent, which was much lower than the current market rate. In fact, there were cases where some large landowners assumed the role of the private moneylender, using the credit they obtained from the co-operatives. The following table provides an idea about the position of accumulated debts by the mid-1960s, the height of co-operative activity.

TABLE 6.4

Accumulated debts by size of
land ownership as at 31.12.1966

Size of holding (feddans)	Value of debts (E£m.)	%	Number of debtors (000s)	%	Average debt/person (E£)
< 5	18.7	45	1 470	80	13
5-25	16.7	41	351	19	48
> 25	5.7	14	22	12	260
TOTAL	41.1	100	1 843	100	22

Source: Abu el-Ezz and Abu el-Ghar, op. cit., pp. 340-341.

²⁰ See for instance Adel Ghoneim, "Notes on the Evolution of Economic and Class Relations in the Egyptian Countryside", Al-Taliaa, September 1966.

²¹ Abu el-Ezz and Abu el-Ghar, op. cit., p. 341.

Reference must finally be made to the fact that many privileges were enjoyed exclusively by rich farmers by virtue of certain provisions of the agrarian reform laws. For instance, in the system of livestock insurance, only the owner of at least three head of cattle is formally eligible to insure his livestock, and subsequently to obtain a ration of 150 kg of fodder at the subsidised price fixed by the State. The poor peasant who cannot insure his livestock is deprived of such privileges; in most cases he has to buy fodder on the black market.²² Moreover, only owners of more than 15 feddans were eligible to buy selected seeds at subsidised prices.²³ It is not, therefore, difficult to understand the often-expressed view among small and poorer peasants that co-operatives have done very little to relieve their monumental burden of indebtedness.

(iii) Co-operatives and the mobilisation of agricultural surplus

As we have pointed out earlier, the wide network of agricultural co-operatives established in Egypt over the last quarter of a century provided the Government with an effective institutional set-up through which it was able to carry out its policies. Here, we shall discuss the impact of the two most important of these policies - co-operative marketing and pricing - on the mobilisation and transfer of agricultural surplus. The basic objective of these policies was to manipulate the agricultural terms of trade in such a way as to squeeze as much of the agricultural surplus as possible in order to finance the process of accumulation in other sectors of the economy and redress the deficit in the balance of payments. This was primarily achieved through two sets of measures: (a) the gradual extension of the system of co-operative marketing to cover the most important crops (cotton, rice, onions, potatoes, etc.) in order to ensure the supply of the main crops necessary for the manufacturing and export sectors; and (b) the system of "compulsory deliveries" where farmers were obliged to deliver a certain part of their crops to the Government at "administered prices" in order to ensure a continuous flow of grains (in the case of wheat) to the local market, and (in the case of rice and onions) to expand the exports of some cash crops.²⁴

The system of co-operative marketing was first introduced in 1953. It was limited to land reform areas and to the main cash crop - cotton. Gradually, the system was extended to cover non-reform areas until, in 1965, it became compulsory and covered all the cotton-producing provinces. As a result, the entire cotton crop was marketed through co-operative channels as from the 1965-66 season (table 6.5). Under this system farmers delivered their cotton to collecting centres where it was registered, weighed and graded. The cotton was then transported to the ginning mills where it was processed and pressed into bales, and

²² M.A. Fadil, Development, Income Distribution and Social Change in Rural Egypt, (1952-70), Cambridge, 1975, p. 149.

²³ *ibid.*

²⁴ For a detailed account of the organisation of co-operative marketing, see: G. Saab, The Egyptian Agrarian Reform, op. cit.; Abdallah Hanafy, "Egyptian Marketing System: Changes and Development, 1952-67", L'Egypte contemporaine, January 1974; and Saad Nassar, "Socialist Transformation in UAR Agriculture", L'Egypte contemporaine, July 1969.

TABLE 6.5

Co-operative marketing of some selected crops, 1964-65/1969-70

Agricultural years	Cotton		Rice		Onions		Groundnuts		Potatoes		Sesame		Flax straw	
	Quantities marketed (000 kamtais)	% of total output	Quantities marketed (000 dariba)	% of total output	Quantities marketed (000 tons)	% of total output	Quantities marketed (000 tons)	% of total output	Quantities marketed (000 tons)	% of total output	Quantities marketed (000 tons)	% of total output	Quantities marketed (000 tons)	% of total output
1964-65	5 561	100	-	-	241	36	13	26	39	9	5	23	5.5	10
1965-66	9 573	100	901	50	213	31	11	25	70	18	5	31	34.0	63
1966-67	8 223	100	1 090	52	188	29	20	55	54	18	8	80	45.0	86
1967-68	7 696	100	1 226	48	170	33	20	59	n/a	n/a	6	70	41.0	60
1968-69	7 683	100	1 277	47	231	46	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1969-70	9 387	100	1 343	49	141	28	24	60	n/a	n/a	15	90	n/a	n/a

Source: M.A. Fadil, op. cit., pp. 86-87.

finally sent to local spinners or exported. Farmers would be paid the value of their crop (according to the year's price fixed by the Government) after deduction of all debts due to the co-operative (since cotton is the main collateral for loans).

Co-operative marketing was also extended to cover almost all the important export crops (rice, onions, groundnuts, potatoes, sesame and beans) especially after the nationalisation of foreign trade in 1961. By the mid-1960s the larger part of these crops was marketed through co-operative channels (table 6.5).

The system of compulsory deliveries (whereby the farmers were obliged to deliver to the co-operative a certain proportion of their production at prices fixed by the State) which was limited only to wheat since the early 1950s, was extended in the mid-1960s to cover rice and onions. The system had two basic objectives: (a) to ensure a sufficient flow of grains to feed the rapidly growing urban population; and (b) to increase the exports of rice and onions which had become the main agricultural exports apart from cotton.²⁵ The allocated quotas to be delivered to the co-operatives varied from crop to crop, but in general they were quite high (table 6.6). The prices of compulsory deliveries were usually fixed at much lower levels than those that could be obtained from the free market. "Such a difference in prices may well be regarded as the implicit margin of 'indirect taxation' imposed on the required deliveries of these crops."²⁶ As table 6.6 shows, these price differentials amounted to 125 per cent in the case of wheat, and were as high as 145 per cent and 200 per cent in the case of onions and rice respectively.

TABLE 6.6

Quotas and prices for compulsory deliveries crops, 1967

Crop	Quotas per feddan	Average yields per feddan (1965-67)	Quotas as % of average yield	Unit price for compulsory deliveries (E£)	Unit price on the free market (E£) ¹	Price differential ² (%)
Wheat (ardab)	2.0	7.5	27	4	5	125
Rice (dariba)	1.5	2.5	60	20	40	200
Onions (ton)	4.0	7.0	57	11	16	145

¹ Free market prices refer to average prices for free retention as opposed to prices for compulsory deliveries quotas.

² Price differential = unit price on the free market divided by the unit price for compulsory deliveries.

Source: Saad Nassar, op. cit., p. 126.

²⁵ ibid., p. 125.

²⁶ M.A. Fadil, op. cit., p. 88.

The use of price differentials as a means of appropriating agricultural surplus was not limited to the requisitioned crops, but also extended to other crops marketed through co-operatives, especially cotton. According to Fadil, the difference between producers' prices and f.o.b. export prices in the case of cotton amounted to some 70-80 per cent over the period 1960-70.²⁷ Moreover, the differential between producers' prices and the selling prices of cotton to domestic mills ranged between 115-125 per cent over the same period.²⁸ Similarly, in the case of rice the differential between government buying price and export prices ranged between 161-186 per cent over the period 1965-66/1969-70.²⁹ Other crops were no exception.³⁰

In addition to using price differentials, the Government sought to influence the agricultural terms of trade through the manipulation of the prices of inputs, the supply of which it almost totally controlled through the co-operatives. For instance, in the case of chemical fertilisers - the most vital agricultural input in Egypt - a ton was sold to farmers during the 1960s at E£25, when the import price was E£15-16 only.³¹

It appears therefore that the Government, through the system of co-operative marketing and pricing, was able to regulate the domestic terms of trade primarily by purchasing agricultural products at relatively lower prices than those for export or for local producers. We have attempted to measure the effects of such policies on the movement in the terms of trade for the agricultural sector over the period 1960-75. Table 6.6 provides a summary view of our calculations, with details of methods and data relegated to Appendix II below. We have calculated three sets of indices: (1) an over-all index of the terms of trade between agricultural output and all manufactured commodities; (2) an index of the terms of trade between agricultural output and manufactured consumer goods; and (3) an index of the terms of trade between agricultural output and manufactured inputs. These three indices were calculated for poor farmers, rich farmers and all farmers. A number of inferences can be drawn from the data. First of all, looking at the period 1960-75 as a whole, we find that the over-all agricultural terms of trade for all farmers (Index A-1) have remained more or less constant. A closer look at this index shows that the terms of trade actually deteriorated following the cotton crisis of 1961, began to recover in 1965, remained constant until 1971 when they slightly deteriorated again, and it was not until 1975 that a very slight improvement took place. The constancy in the terms of trade reflect the impact of two opposing movements: an improvement in the prices of agricultural products vis-à-vis prices of manufactured goods used as inputs to agriculture (Index A-3), which was counterbalanced by a deterioration in agricultural prices vis-à-vis the prices of consumer goods consumed by the rural population (Index A-2).

²⁷ *ibid.*, p. 104.

²⁸ *ibid.*, pp. 94-95.

²⁹ Price Planning Agency, Report on Rice, Cairo, 1975, tables 43 and 81.

³⁰ Price Planning Agency, Commodity Reports: Wheat (Cairo, 1972) and Onion (Cairo, 1973).

³¹ Mabro, *op. cit.*, pp. 78-79.

TABLE 6.6

Indices of terms of trade for the
agricultural sector, 1960-75

(1960 = 100)

Year	A. All farmers			B. Poor farmers			C. Rich farmers		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
1960	100	100	100	100	100	100	100	100	100
1961	99	99	100	99	99	101	100	100	101
1962	88	96	68	88	96	68	90	99	70
1963	86	94	71	87	94	70	90	97	73
1964	94	100	78	94	100	78	100	107	83
1965	85	88	79	86	88	79	92	95	86
1966	93	94	90	93	94	89	105	106	101
1967	99	96	112	99	95	115	109	107	121
1968	97	93	116	98	92	120	106	102	124
1969	99	95	118	100	94	123	108	104	126
1970	98	98	101	99	98	104	111	111	111
1971	97	96	100	98	96	103	109	109	111
1972	97	95	105	98	95	109	113	111	120
1973	95	91	106	95	91	109	114	111	125
1974	97	93	112	98	93	116	118	115	132
1975	102	97	120	102	96	124	127	122	146

Notes: (1) Over-all index of terms of trade between agricultural output and all manufactured commodities.

(2) Terms of trade between agricultural output and manufactured consumer goods.

(3) Terms of trade between agricultural output and manufactured inputs.

Sources: Details of the methods and data used are in Appendix II.

It appears that farmers in general have benefited from the government policy to stabilise the prices of manufactured inputs to agriculture (especially fertilisers), but this gain was wiped out by the rapid increase in the prices of commodities entering into the consumption basket of the rural population (especially foodstuffs and textiles). We can therefore conclude that, on the whole, the time series for the over-all agricultural terms of trade over the period 1960-75 indicate no improvement in the relative prices of agricultural output vis-à-vis agricultural inputs and consumer goods.

But this conclusion assumes that all farmers confront the same set of prices for their products and purchases. This is not actually true for various reasons. First, the consumption basket of the various rural classes varies significantly (where food represents a very high proportion in the consumption of poor peasants,

the pattern of consumption of rich farmers includes more manufactured goods, the prices of which may be heavily subsidised). Secondly, there are significant differences in the crop mixes of the different groups of the peasantry. While small peasants usually grow traditional crops, rich farmers are able to diversify their products by growing fruits and vegetables and breeding livestock. It is important to note here that the latter products were never subject to the co-operative marketing regulations, and their prices were rising much faster than the prices of cash and food crops. According to a recent study by the World Bank, the profitability of traditional crops was much lower than that of vegetables and fruits. The net return per feddan (including rent as cost) in 1973-74 amounted to E£54.5, 29.3 and 25.4 for cotton, wheat and rice respectively. By contrast, comparable figures for "new" crops were E£100-250 for grapes, E£150-200 for tomatoes and E£100 for water melons.³² It is not surprising, therefore, that the farmers' response to these large discrepancies in income-earning possibilities was to shift from traditional to new crops. This has already been reflected in the increasing area devoted to vegetables and fruit and to the detriment of cotton, the production of which has been falling.

In view of these crucial differences, we have not limited our analysis to the conventional method of estimating a single index of the terms of trade for the agricultural sector as a whole. While such index is useful in studying the "urban bias" in government policies, it is of little or no use in analysing the distributional effects of such policies within the rural economy itself. We have, therefore, constructed two sets of terms of trade indices, one for "poor farmers" and the other for "rich farmers", each reflecting the movement of change in the relative prices of the commodities produced and consumed by either group.

In view of these crucial differences between larger farmers and small peasants, we have tried to construct another index of the terms of trade for "rich farmers" which reflects the movement of change in the relative prices of the commodities produced and consumed by medium and large farmers. It is immediately clear (table 3.8) that the terms of trade for "rich farmers" moved in their favour during the period 1960-74.

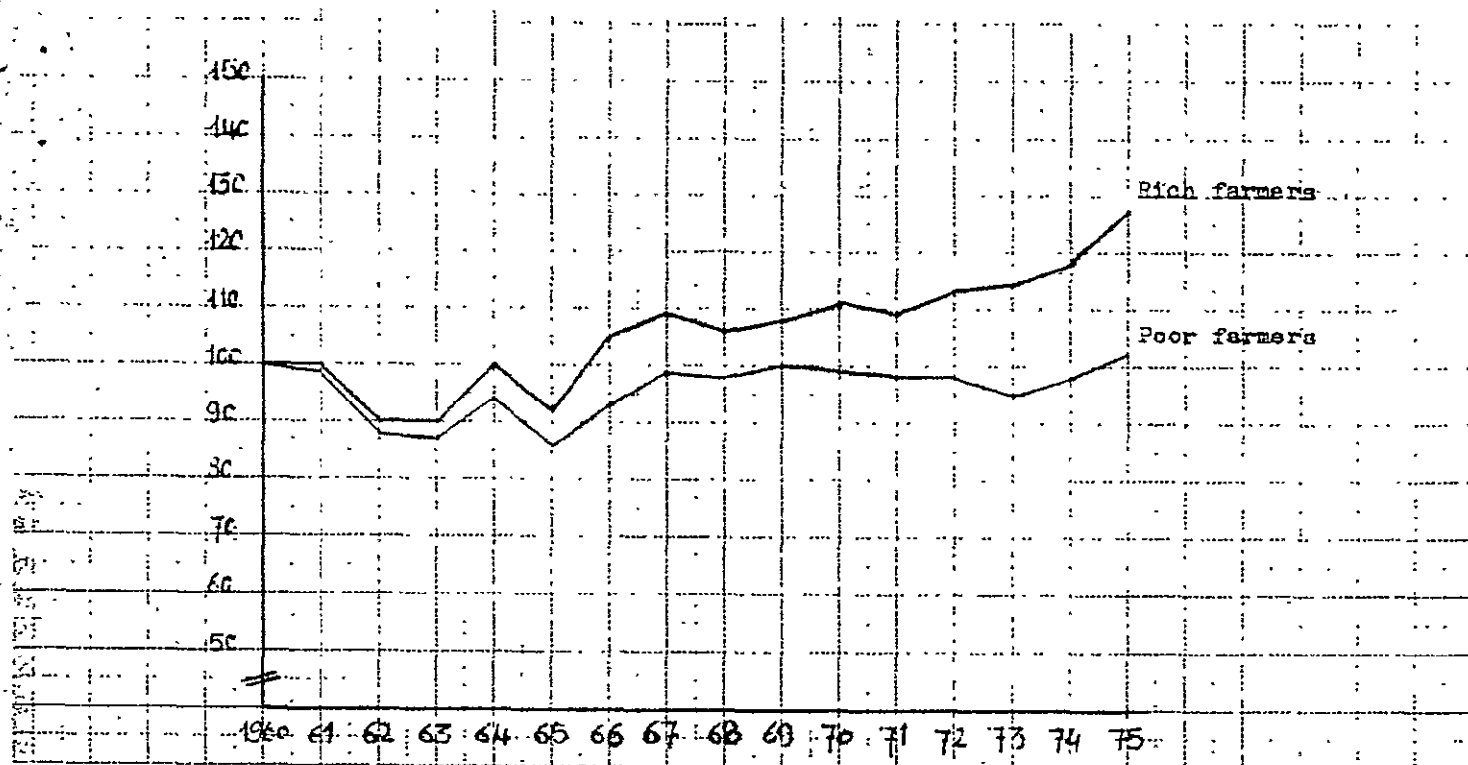
A comparison of the two sets of terms of trade indices (for "poor farmers" and for "rich farmers" (figure 3.2)) indicates that, while the former has remained constant, if not slightly deteriorated, the latter has definitely improved. This conclusion has serious implications concerning the process of differentiation in rural Egypt: government policies, especially the co-operative marketing and pricing policies, are much more favourable to rich farmers than to the poor. The last point seems to be confirmed also by the resistance of small peasants to co-operative marketing in general and the compulsory deliveries system in particular. The latter seems to produce regressive results. After delivering their quotas to the co-operative, small farmers usually have very little left of their crops, and thus they have to buy their needs of grain and fodder for their animals on the open market where larger farmers dispose of their surplus at black-market prices.³³

³² IBRD, Egyptian Agriculture Development: Problems, Constraints and Alternatives, 1976, pp. 32-33.

³³ Al-Taliaa, Twenty-Two Years of Agrarian Reform, September 1974, p. 77; and Abbas Kesiba, "The Peasants Confront Bureaucratic Corruption", Al-Taliaa, June 1966, p. 62.

FIGURE 6.1

Indices of terms of trade for the
agricultural sector, 1960-75



To sum up, the system of co-operative marketing together with the pricing policy attached to it, must have resulted in an improvement on the pre-reform methods which depended mainly on intermediaries who appropriated substantial amounts of the agricultural surplus for themselves. The Government was certainly successful in using the new system to mobilise and transfer the agricultural surplus to finance industrial accumulation and redress the balance of payments deficit. It was estimated that the net transfer of surplus from agriculture during the 1960s was in the range of 5-8 per cent of agricultural income.³⁴ Nevertheless, the new marketing and pricing policies seem to have contributed to the aggravation of social differentiation in rural Egypt by favouring the large farmers and discriminating against the poor and small peasants for whom the agrarian reform was promulgated in the first place.

³⁴ The net transfer from the agricultural sector was calculated as the difference between the sector's contribution to the government budget through direct and indirect taxation and price differentials and investments allocated to agriculture during a given year. This net transfer amounted to £21.8 million or 5.4 per cent of agricultural income in 1960-61 and £66.7 million or 8.6 per cent of agricultural income in 1969-70. See M. Mahmoud Abdel Raouf, Vertical Agricultural Development in Egypt: An Appraisal of the Period 1952-53/1969-70, INP, Memo No. 1029, Cairo, 1973, p. 110.

IV. CONCLUSIONS

Our assessment of the impact of agrarian reform on rural Egypt has centred around two main questions: how did the agrarian reform which was launched in the early 1950s change the matrix of land ownership and income distribution in the Egyptian village of the 1970s; and how successful were the co-operatives in providing an alternative form of organisation for rural development?

The redistributive effect of the agrarian reform has been limited. The distribution of some 13 per cent of the cultivated area to about 9 per cent of the rural population has virtually eliminated very large ownerships, slightly improved the lot of small peasants, but certainly consolidated the position of the medium stratum which represents the economic and political power now in rural Egypt. Thus the initial inequality in the distribution of land ownership was not changed in any fundamental way. It is more important perhaps to stress the fact that land reform has not affected in any noticeable way the landless peasants since land distribution was mostly limited to previous tenants and small farmers. After 25 years of agrarian reform, the problem of landlessness is far from being solved; by 1972 landless peasants represented half the rural population. It is our contention that a limited distribution of land represents a once-and-for-all gain for the landless, the effects of which will be soon counterbalanced by the basic inequality in the distribution of land on one hand, and the rapid growth of rural population on the other.

The changes in the distribution of income among rural classes was basically a reflection of the change in the structure of land ownership. Thus we believe that during the last 25 years both the absolute income received by big landowners (over 50 feddans) as well as their relative share of total agricultural income must have dropped significantly. Meanwhile, the rich and middle landowners (5-50 feddans) benefited most by increasing both their share of agricultural income as well as income per capita. Poor peasants (less than 5 feddans) must have increased their share of agricultural income mainly as a result of the increase in their numbers, with their per capita incomes only marginally improved. It appears, therefore, that there was some improvement in the distribution among landowners. But if we look at the conditions of landless peasants, the picture may change. After a notable decrease in the numbers of landless and a slight improvement in their share of income during the 1950s and early 1960s, evidence suggests that these trends were reversed by the late 1960s and early 1970s. The distribution of consumption expenditure among rural households was more unequal in 1974/75 than during the 1950s. Real wages, the main source of income for the landless, shows almost no trend over the period 1938/75, and have actually deteriorated in the early 1970s. Finally, the redistributive effects on the rural poor were negligible. By the mid-1970s, 44 per cent of the rural households population (5.8 million people) were below the poverty line.

It is our conclusion, therefore, that the distributive effects of the Egyptian agrarian reform were marginal. True there was an initial improvement in the situation which resulted mainly from the elimination of the power base of the semi-feudalist class of big landowners, and the introduction of a "package" of reforms concerning rent controls and minimum wages. However, the basic inequality in land distribution remained almost unchanged, thus maintaining an unequal distribution of income.

The second objective of the present research was to assess to what extent did the system of supervised co-operatives succeed in creating an alternative organisation for rural development. Our appraisal centred around three basic issues; the co-operatives as an alternative form of organising agricultural production; the effect of the credit policy on differentiation; and the impact of co-operative marketing and pricing systems on the mobilisation and transfer of agricultural surplus.

We have argued that despite the great potential that the ideas of land and crop consolidation had in creating a new form of communal land system, in application very little was achieved. The two main obstacles were the unequal distribution of land and bureaucratic domination over the experiment. Thus all the co-operatives did in this respect was to patch up some of the obvious deficiencies of the existing system of production mainly through the reorganisation of agricultural rotation. More serious perhaps was the negative effect the crop consolidation system had on small and poor peasants. They were obliged to cultivate all their land with a certain crop a year and had to depend on the open market for the satisfaction of their needs.

The improved supply of credit and other agricultural inputs has no doubt produced favourable results as far as land productivity is concerned. However, we found that the system favoured large landowners rather than poor and small peasants. Unequal distribution of credit and the accumulation of large arrears enabled large landowners to appropriate the greater part of co-operative finance at cheap prices. By contrast, the problem of the indebtedness of small peasants was only getting worse.

The co-operatives were no doubt successful as an instrument of government policy. Through the manipulation of the agricultural terms of trade, it was possible to ensure the mobilisation and transfer of sizeable portions of agricultural surplus to finance the process of industrial accumulation and redress the balance of payments deficit. But here again, we discovered that the co-operative policies of marketing and pricing had negative effects on the process of differentiation among the peasantry. While the terms of trade of "rich farmers" have largely improved over the period 1960/75, the terms of trade for "poor farmers" remained unchanged, if not deteriorated.

Finally, the basic policy conclusion that this study arrives at is this: the Egyptian experience of agrarian reform has no doubt been more successful than many others. This is mainly due to the package of measures introduced and the government enthusiasm during the 1960s. Recent trends, however, indicate that these reforms have spent their force and we are back to square one. In our view, the basic problem lies in: (a) the present structure of uneven land and income distribution, and therefore any solution should consider a radical redistribution of land; (b) government policies are biased towards the rich and medium farmer and against small peasants, let alone the landless who fall outside the whole spectrum of government policy; and (c) the co-operative system should be radically restructured in such a way as to replace the present co-operative (no more than a government shop or bank) with real producers' co-operatives.

APPENDICES

APPENDIX I

Movement in real wages in rural Egypt, 1938-74

The real wage index presented in the text has been obtained by deflating the average daily money wage for agricultural labourers by a special cost-of-living index for this group. In the following paragraphs, we shall discuss the data and methods used to calculate this index.

Money wages

Data on money wages for agricultural labourers are extremely scanty. We were able to compile a series of more or less comparable data on the average daily wage rate in rural Egypt from the following sources:

- 1938-53: M.M. Al-Zulaki et al, Agricultural and Non-agricultural Unemployment in Egypt, Alexandria, 1961. These figures are taken from the Fellah Department of the Ministry of Social Affairs;
- 1951-61: Bent Hansen, "Marginal Productivity Wage Theory and Subsistence Wage Theory in Egyptian Agriculture", Journal of Development Studies, Vol. II, July 1966;
- 1960-67: A.M. Bashir, "Price Policy for Agricultural Crops", L'Egypte Contemporaine, Vol. 59, No. 334, October 1968, p. 174.
- 1966-72: Amr Mohie-Eldin, Employment Problems and Policies in Egypt, ILO, 1975;
- 1970-74: Ministry of Agriculture, Cairo.

The cost-of-living index

There is no group specific cost-of-living index for agricultural labourers in Egypt. The present index is the result of combining the three following indices:

- (1) For the period 1938-61, we used the special cost-of-living index for rural labourers prepared by Fathia Zaghloul ("A Cost of Living Index for Rural Labourers, 1913-61", Institute of National Planning Memo. 557, Cairo, 1965). This index is a weighted average of retail prices for a representative bundle of 10 commodities consumed by people in the lowest expenditure bracket, with the weights derived from the 1958-59 Family Budget Survey. The index is heavily weighted in terms of food grains (45 per cent).
- (2) For 1960-65, we have used the price index of foodstuffs on the assumption that wage earners spend their income on food.
- (3) For 1965-74, we used the special consumer price index for rural areas prepared by the Statistical Department (CAPMS, Monthly Bulletin of Consumer Prices, various issues). This index is a weighted average of retail prices prevailing in rural Egypt for 20 commodities. The weights are derived from the 1964-65 Family Budget Survey.

APPENDIX II

Indices of terms of trade for agriculture, 1960-75

We have constructed three sets of indices of the agricultural terms of trade. These are:

- (1) an over-all index =
$$\frac{\text{Price index of agricultural commodities sold by farmers}}{\text{Price index of manufactured goods used by farmers}}$$
- (2) an index of agricultural terms of trade vis-à-vis manufactured consumer goods =
$$\frac{\text{Price index of agricultural commodities sold by farmers}}{\text{Price index of manufactured consumer goods purchased by farmers}}$$
- (3) an index of agricultural terms of trade vis-à-vis manufactured inputs to agriculture =
$$\frac{\text{Price index of agricultural commodities sold by farmers}}{\text{Price index of manufactured inputs used in farming operations}}$$

These indices were estimated separately for poor, rich and all farmers. Prices and weights used varied from one index to another.

Prices

(1) Prices of agricultural products

We have used the average producer's (or ex-farm prices) for the six most important field crops (cotton, rice, wheat, maize, onions and sugar cane), and for vegetables and fruits.

(2) Prices for manufactured consumer goods

A bundle of four groups of manufactured goods which feature prominently in the expenditure pattern of rural households has been chosen to represent purchases of consumer goods. These were: sugar, tea and coffee; edible oils and fats; soap and matches; and cotton and woollen textiles. We were unable to obtain a continuous series of consumer or retail prices for the whole period, in which case we used the wholesale price indices for the period 1960-70 and the retail price index for rural areas for 1970-75. There is no doubt that this may lead to some distortion especially for the early period. However, the fact that prices were strictly controlled during the 1960s, and the consistency of the wholesale price index with the fragmentary data on retail prices for some years, lead us to believe that these distortions are not as serious as they may appear to be.

(3) Prices for agricultural inputs

The three most important manufactured inputs to agriculture have been chosen. These are: chemical fertilisers, insecticides and fuel and lubricants for machinery. Here again we had to use wholesale prices in the absence of retail prices.

Weights

(1) Agricultural commodities

The weights for agricultural commodities were calculated on the basis of gross value of output at current prices and then adjusted to reflect marketings for different crops. Marketing ratios for the field crops and their weights are those used by Fadil (Development, Income Distribution and Social Change in Rural Egypt (1952-70), Cambridge, 1975, p. 135).

A distinction was made between weights used for all, poor and rich farmers. For poor farmers, we assumed that they produce only field crops and used as weights the shares in the value of output. For rich farmers, we used as weights the shares in the value of output of field crops, vegetables and fruits for large farmers (owners of 20 feddans and above) as revealed by the 1961 Agricultural Census. The weights for all farmers are based on the gross value of agricultural production reported by the Ministry of Agriculture.

(2) Agricultural inputs

Weights are based on the share of each input in the total value of manufactured inputs used in agriculture. These data are reported in CAFMS, National Income from Agriculture (annual). To distinguish between weights for poor and rich farmers, we used the values of these inputs used by different land ownership classes which is reported by the 1961 Agricultural Census. Poor farmers were those owning 5 feddans and less, while the rich were defined as those owning 20 feddans and over.

(3) Manufactured consumer goods

Weights are based on the distribution of expenditure on consumption for rural households as reported by the 1964-65 Family Budget Survey. We considered as poor families all those households in the expenditure brackets of £250-300 and below, and as rich families those in the expenditure brackets of £1,000 and over. These demarcations are very rough indicators based on crude assessment of incomes for poor (owning less than 5 feddans) and rich (owning 20 feddans and over) farmers.

The following table provides a summary of weights used.

TABLE II.1

A. Weights for agricultural commodities (percentages)

	Poor farmers		Rich farmers		All farmers	
	1960 weights	1970 weights	1960 weights	1970 weights	1960 weights	1970 weights
Cotton	68.0	58.0	51.0	44.6	68.0	58.0
Rice	10.0	17.5	7.5	13.5	10.0	17.5
Wheat	8.0	8.0	6.0	6.2	8.0	8.0
Maize	8.0	9.0	6.0	6.9	8.0	9.0
Onions	2.0	1.3	1.5	1.0	2.0	1.3
Sugar cane	4.0	6.2	3.0	4.8	4.0	6.2
Vegetables	0.0	0.0	19.0	17.0	0.0	0.0
Fruits	0.0	0.0	6.0	6.0	0.0	0.0

B. Weights for consumer goods and agricultural inputs (percentages)

Commodity groups	Poor farmers			Rich farmers			All farmers		
	Con- sumer goods	Inputs	Over- all	Con- sumer goods	Inputs	Over- all	Con- sumer goods	Inputs	Over- all
Sugar, tea	40.1		29.7	28.6		27.6	35.5		28.5
Edible oils	12.4		9.2	5.7		3.4	10.1		5.8
Soap, matches	9.4		7.0	8.6		6.6	8.2		6.8
Textiles	38.1		31.1	57.1		39.5	46.2		36.0
Fertilisers		68.0	15.6		58.7	13.4		62.6	14.3
Pesticides		17.4	4.0		16.9	3.9		17.0	3.9
Fuel		14.6	3.4		24.4	5.6		20.4	4.7

TABLE II.2

Price indices for agricultural commodities, 1960-75
1960 = 100

Years	Cotton	Rice	Wheat	Maize	Onions	Sugar cane	Vegetables	Fruits
1960	100	100	100	100	100	100	100	100
1961	97	100	99	97	140	100	103	93
1962	99	100	100	87	165	100	115	102
1963	101	100	101	102	115	100	122	99
1964	112	106	103	106	117	100	135	156
1965	107	118	105	102	130	100	146	157
1966	107	149	114	121	130	125	177	184
1967	113	167	130	140	142	125	176	173
1968	116	175	113	110	142	125	172	188
1969	120	172	114	124	127	125	171	183
1970	121	158	135	127	157	125	194	187
1971	121	153	124	127	174	124	196	204
1972	132	149	123	140	154	139	244	219
1973	129	156	134	171	212	175	293	237
1974	156	190	165	193	212	279	376	271
1975	169	233	180	170	212	279	462	290

Sources: 1960-70 (field crops): M.A. Fadil, op. cit., p. 138.

1970-75 (field crops): Ministry of Agriculture, Institute of Agricultural Research (quoted in IBRD, Egyptian Agriculture: Development Problems, Constraints and Alternatives, March 1976, p. 31).

For vegetables and fruits: these are weighted averages for the price indices of main products. Weights are shares in total value of output of each.

Prices reported in *ibid*.

All indices shifted to base year 1960.

TABLE II.3

Price indices of manufactured consumer goods and
agricultural inputs, 1960-75
1960 = 100

Years	Consumer goods				Agricultural inputs		
	Sugar, tea	Edible oils	Soap, matches	Textiles	Ferti- lisers	Insecti- cides	Fuel
1960	100	100	100	100	100	100	100
1961	100	97	102	98	91	118	107
1962	105	99	102	103	88	400	109
1963	111	102	106	108	93	368	111
1964	111	97	108	110	91	361	107
1965	132	101	109	124	96	316	113
1966	132	122	110	124	101	268	111
1967	146	137	113	124	73	235	133
1968	146	140	113	132	71	207	142
1969	146	139	113	132	71	208	141
1970	138	134	114	132	70	327	143
1971	137	138	113	136	70	327	143
1972	150	153	114	143	70	330	146
1973	166	173	116	153	73	340	154
1974	200	220	120	185	83	386	193
1975	207	235	119	191	83	386	193

Sources: 1960-70: M. A. Fadil, op. cit., pp. 138 and 139.

1970-75 (consumer goods): CAPMS, Monthly Bulletin of Consumer Price Indices, various issues.

1970-75 (agricultural inputs): National Bank of Egypt, Economic Bulletin, various issues.